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COMMERCIAL TRAVEL OFFICES:  
A COURSE OF ACTION FOR THE ARMY

Report AR804R1

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## Executive Summary

### COMMERCIAL TRAVEL OFFICES: A COURSE OF ACTION FOR THE ARMY

Last year the Army launched a major program to competitively establish full-service commercial travel offices at installations worldwide. Although it has made substantial progress, it must take other actions to ensure long-term success.

First, we recommend the Secretary of the Army establish a clear direction for the commercial travel services program by prescribing *effective and economical travel for all members of the Army community* as its prime objective. The program would then be targeted on responsiveness and economy for the official traveler and convenience, courtesy, and full service for the unofficial traveler.

Second, we recommend the Army carry out that direction by appointing a program manager to oversee its commercial travel services program. The manager should be responsible for (1) tracking developments in the travel industry, (2) advising on the preparation of requests for proposals (RFPs) and source selection criteria, (3) chairing Source Selection Evaluation Boards, (4) monitoring contractor performance, and (5) proposing needed changes to Army travel policy.

Third, we recommend the Army standardize its RFP requirements, source selection criteria, and evaluation procedures to achieve the uniformity vital to a successful worldwide commercial travel services program. As an aid, we are recommending much of the content for a standardized commercial travel services acquisition package, including contract term, concession fees, staffing, automation, and subcontracting. (2401-2)

We believe that these actions — establishing an objective, assigning oversight responsibility, and standardizing the acquisition process — will give the Army momentum to upgrade the travel services it provides to its military and civilian members.

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## CHAPTER 1

### INTRODUCTION

#### BACKGROUND

The public and private sectors spend in excess of \$100 billion annually for business travel. Of the Federal Government's share, \$5.5 billion – \$6.0 billion a year, DoD spends \$4.4 billion – \$4.8 billion, or 80 percent.

Travel costs include long distance and local transportation, accommodations, meals, and incidental expenses. In most cases, travel agents arrange travel services with the vendors who provide them – the airlines, other transportation firms, hotels/motels, and rental car companies. Those services are generally at no cost to the traveler. The agents are paid for their efforts through commissions and other incentives from the various vendors. (Appendix A provides a profile of the travel agency industry, and Appendix B describes how a travel agency operates.)

Since 1949, Federal Agencies, including the Army, have booked and received tickets for official commercial air travel through Scheduled Airlines Traffic Offices (SATO's). Those on-post offices, owned and operated by the major air carriers and centrally managed by the Air Transport Association, provided this service at no cost. Until recently, SATO's enjoyed antitrust immunity and were protected from the pressures of competition as a result of a longstanding ban on the Government's use of travel agents for the procurement of official travel services.

During the past decade, three events significantly altered the travel and transportation industries and the Government's relationship with them:

- The Airline Deregulation Act of 1978 resulted in unrestrained competition among airlines as well as in the demise or merger of others.
- The General Accounting Office (GAO) removed its ban on the Government's use of travel agents to acquire official travel in May 1984.
- The Department of Transportation revoked SATO's antitrust immunity in October 1985, causing SATO's domestic operations to become an independent, airline-owned entity known as SATO, Inc.

Immediately following the 1984 GAO ruling, DoD published interim policy guidance which encouraged "the establishment and utilization of Commercial Travel Offices which provide the full range of travel services . . . at no cost to the government." That guidance allowed the retention of SATOs.

In 1985, after publication of the DoD guidance, Congress clearly stated its position on the use of travel agents "that the Secretary of each Military Department should provide, in the establishment of travel offices or the acquisition of travel services for official travel, for free and open competition among commercial travel agencies, SATOs, and other entities which provide such services."<sup>1</sup> In December 1985, the Comptroller General rendered a decision that "competitive selections of no-cost, no-fee travel management contractors . . . are subject to the Federal Acquisition Regulation (FAR) and the Competition in Contracting Act."

In a March 1986 letter to then Secretary of Defense Caspar Weinberger, House Armed Services Committee Chairman Les Aspin emphasized Congress' desire that the acquisition of travel services by DoD be subject to the Competition in Contracting Act. The Secretary of Defense acknowledged the benefits to be obtained through competitive acquisition of travel services and declared his intention to "take full advantage of these benefits while ensuring that any emergency requirements can be handled effectively and expeditiously." He asked the Military Departments to provide him within 60 days a list of installations and activities for which they intended to initiate competitive acquisition of travel services in 1986.

In June 1986, Secretary of the Army John Marsh, Jr., advised the Secretary of Defense of the Army's plan to competitively acquire both official and unofficial travel services on a regional basis, with the regions conforming to those of the Continental United States Armies.

On 5 January 1987, the Secretary of Defense formalized his position regarding the competitive acquisition of travel services by issuing DoD Instruction 4500.42, "DoD Passenger Travel Reservation and Ticketing Services." It states unequivocally that "It is DoD policy, with respect to arranging official travel . . . to use Commercial Travel Offices that provide the full range of travel services to DoD installations at no cost to the Government. . . ." Thus, the events of the preceding

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<sup>1</sup>Section 1464 of the DoD Authorization Act of 1986, Public Law 99-145. 99th Congress. 8 Nov 1985.



decade have culminated in significant changes in the acquisition of travel services within DoD.

The Army was by that time well along in its effort to contract for travel services in the Fifth U.S. Army region, encompassing eight South Central and Southwestern states and consisting of 30 major sites with 41 offices. U.S. Army, Europe (USAREUR) is currently soliciting a contract for its travel services requirements. Additional solicitations are planned for the remaining CONUS regions, U.S. Army Western Command, and Eighth U.S. Army. However, these future solicitations will not be made until both the Fifth U.S. Army and USAREUR contracting approaches and procedures are evaluated, the lessons learned are documented, and the effectiveness of the contractor's transition and performance in the Fifth U.S. Army region are analyzed.

## EVALUATION SCOPE

The Army's objective in conducting a comprehensive evaluation of its travel services contracting efforts is simple and straightforward. It wishes to ensure that responsive and economical travel services are provided at its installations worldwide by taking maximum advantage of Army experiences to date. In doing so, our evaluation task encompasses a number of issues, including the following:

- *Request for Proposals (RFP), Source Selection, and Contract* – The contents of the RFP, proposal evaluation and source selection criteria, duration of travel services contracts, contents of the statements of work, concession fees for unofficial travel and the advisability of fees for official travel, subcontracting, and methodology for quality assurance
- *Contract Size* – The feasibility and advisability of a worldwide contract for official and unofficial travel and, if advantageous to the Army, how the RFP should differ from that used in the Fifth U.S. Army region
- *Diners Club* – The formulation and evaluation of alternatives to the Diners Club corporate account for payment of official travel
- *Contractor Transition and Performance* – The transition from SATOs to commercial travel offices and the performance of the contractor selected to provide official and unofficial travel services in the Fifth U.S. Army region
- *Future Course of Action* – A course of action for future Army travel services acquisition efforts worldwide, drawing on the results of the analysis and evaluation conducted in the four preceding functional areas.

The remainder of this report presents the results of that evaluation. Although the evaluation was conducted for the Army, many of our recommendations and conclusions are applicable throughout DoD.

## **REPORT ORGANIZATION**

Chapter 2 presents our recommendations for improving the Army's commercial travel services program. Chapter 3 provides an overview of the Army's travel program including its contracting actions to date. Chapter 4 details the findings and conclusions upon which our recommendations are based. Chapter 5 explores various travel-related issues. Chapter 6 concludes with a proposal for a framework within which the Army can expand its travel services program.

Appendices A through F profile the travel agency industry and how it operates, the experience of the Federal Government in contracting for travel services support and in negotiating travel discounts, the private sector's use of and relationship with travel agencies, and the major features of the Government charge system.

In early 1989, we will publish additional recommendations based on our evaluation of the Fifth U.S. Army contractor's transition and performance.

## CHAPTER 2

### RECOMMENDED ACTIONS

Ever since the transportation industry was deregulated in the late 1970s, the travel industry in the United States has been in a state of flux. The providers of travel — especially the airlines — have undergone a substantial upheaval. Bankruptcies, mergers, takeovers, and asset sales are now common occurrences. Travel agencies, the arrangers of travel services, have experienced similar changes. Although small agencies (annual sales of \$2 million or less) still predominate, large agencies now define the marketplace. Deregulation also facilitated a change in the relationship between the travel agencies and their customers, both corporate and individual. Prior to deregulation, law prohibited the sharing of commissions that the travel agencies received from the airlines; now commission-sharing with travel customers is an established business practice. Deregulation also engendered an abundance of fare discounts affecting all classes of air travel.

Even more changes are on the horizon. The airline industry will continue to reshuffle, possibly negating many of the fare discounts currently available; large travel agencies will continue to grow through acquisitions, thus increasing their leverage with the travel providers; and distinctions between travel agencies and their corporate customers will become even more obscured, resulting in possible fundamental changes to the traditional relationships between the travel agencies and the travel providers.

It is into this environment that the Army is launching its program to establish full-service commercial travel offices at installations worldwide. The program is designed to move forward in substantial increments but with enough caution to benefit from lessons learned at each step. Although the Army's progress to date has been noteworthy, long-term success will depend on a firm commitment of time, energy, and funding, and the accomplishment of several specific actions.

Those actions address the three most important elements of any travel program — objective, oversight, and process. The Army needs to establish a clear direction for its commercial travel services program by prescribing an objective

encompassing both official and unofficial travel. It needs to assign oversight responsibility to see that the objective is achieved. Finally, it needs to standardize the process for acquiring commercial travel services. In the remainder of this chapter, we set forth our recommendations for accomplishing these actions.

## PROGRAM OBJECTIVE

Currently, the objective of the Army's commercial travel services program is unclear. To some, it is low-cost, responsive travel services for the official traveler; to others, it is maximum revenue for Morale, Welfare, and Recreation (MWR) accounts through concession fees on unofficial travel.<sup>1</sup> It cannot be both. To succeed, the Army's commercial travel services program needs a prime objective, one that clearly articulates the criteria for acquiring those services.

**Recommendation.** Secretary of the Army prescribe that the goal of the Army's commercial travel services program is effective and economical travel for all members of the Army community.

This goal establishes for the Army's commercial travel services program a framework and direction that all Major Army Commands (MACOMs) can embrace. The operative terms, effective and economical, have specific consequences. *Effective* denotes that the official traveler will be provided responsive transportation, accommodations, and related services that are necessary to carry out assigned responsibilities. *Economical* denotes that the travel services provided will minimize the overall cost impact on Army travel funds.

For the unofficial traveler, this goal has similar consequences. It implies that eligible members of the Army community will have convenient access to responsive, courteous, and capable travel offices providing a wide spectrum of travel services.

Generation of MWR funds must not be at the forefront of the Army's commercial travel services program; otherwise the entire program will be distorted to focus on generating revenue rather than on providing effective and economical service. Funds for MWR should be considered an additional benefit of providing unofficial travel services to the Army community, not an end in and of itself.

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<sup>1</sup>A concession fee is the payment to the Army of a percentage of sales in exchange for marketing privileges, rent-free facilities, and utilities.

## **PROGRAM OVERSIGHT**

Not only does the Army need to establish a clear objective for its commercial travel services program, it also needs to provide the leadership necessary to achieve that objective. Without such leadership, the Army will not be able to conduct its travel program effectively and economically, nor will it have the capability of instituting changes as innovations and developments become known. No single organization in the Army today is charged with providing that leadership. This needs to be corrected.

**Recommendation.** Secretary of the Army designate a program manager for the Army's commercial travel services program.

The private sector has found that the two keys to a successful travel program are (1) developing a clear corporate travel policy and (2) appointing a travel manager to maintain and implement that policy. These same keys apply to the Army's commercial travel services program.

## **ACQUISITION PROCESS**

The Army also needs to streamline and standardize the travel services acquisition process. The Fifth U.S. Army region acquisition broke new ground in contracting for commercial travel services; the USAREUR acquisition now underway incorporates many of the lessons learned from the Fifth U.S. Army region acquisition and is applying them to an overseas environment. The experiences and results of these efforts should form the basis for future acquisitions.

**Recommendation.** Department of the Army employ a streamlined and standardized process for competitive acquisition of commercial travel services.

The Army program manager for travel services must be the catalyst for developing such a streamlined and standardized process. The cornerstones of that process are detailed below.

### **Contract Size**

The Army's plan for awarding regional contracts for commercial travel services is a prudent and practical approach to establishing commercial travel offices worldwide, although the size of the presently designated regions may have to be adjusted

as industry and Army experience broadens. Regional contracting gives the Army time to develop the necessary in-house expertise so vital to a successful travel program without either the burden of orchestrating hundreds of individual installation acquisitions or the uncertainty and complexity of awarding, for example, a global contract. It also permits the Army to apply the lessons learned from the initial procurements to subsequent acquisitions.

**Recommendation.** Department of the Army contract for commercial travel services on a regional basis.

Although the execution of a global contract has considerable appeal (reducing the number of acquisitions, facilitating the provision of standard travel services, and accommodating expansion during conflicts), it is doubtful that any travel agency is actually capable of providing such services. More importantly, the Army does not currently have the infrastructure or experience required to award and administer a global contract. Finally, the disparity in national customs and laws governing business operations, as well as in Status of Forces Agreements, renders such an acquisition impractical at this time.

### **Government Charge Accounts**

The Army's use of the Government charge system (currently Diners Club), including corporate accounts, to pay for official travel is in the best interest of the Army.

**Recommendation.** Department of the Army continue and expand its use of the Government charge system for payment of official travel.

The use of this charge system not only facilitates the provision of travel services, but also provides significant benefits to the traveler at no cost either to the Army or the traveler.

### **Concession Fees**

In the Fifth U.S. Army region and USAREUR acquisitions, the Army did not seek a concession fee for official travel (although it did negotiate such a fee for unofficial, or leisure, travel). By not seeking concession fees on official travel services in either the Fifth U.S. Army region or USAREUR acquisitions, the Army

renounced an excellent opportunity to increase the purchasing power of its travel budget. This needs to be corrected.

**Recommendation.** Department of the Army seek separate concession fees on both official and unofficial travel in all future acquisitions of commercial travel services.

The Army is responsible for using its travel funds in the most effective way. Sharing the revenues generated by those funds must be one of the key actions in carrying out that responsibility. Federal Agencies and private-sector firms have found that reasonable concession fees (or revenue sharing), now a standard industry practice, has no adverse effect upon either agency performance or the quality of travel services being provided.

The primary argument against a concession fee on official travel is that it will reduce the concession fees offered for unofficial travel and thus adversely affect the MWR revenues. However, by refusing to seek a concession fee on official travel, the Army is indirectly subsidizing MWR accounts from official travel budgets. Independent, realistic concession fees on both official and unofficial travel will effectively sever any linkage between MWR revenues and official travel accounts.

### **Contract Scope**

Combining official and unofficial travel services in one acquisition package offers many advantages to the Army. It reduces acquisition and administration costs; it assures full travel services at installations that may not have the volume to support separate official and unofficial travel offices; it gives the Army the opportunity to establish one-stop travel centers; and it eliminates many of the problems that arise when Army members mix official and unofficial travel on the same trip.

**Recommendation.** Department of the Army continue to combine the acquisition of official and unofficial travel services.

### **Contract Term**

Although the Army has no firm criteria for establishing the "best" contract term for its commercial travel services program, we believe that USAREUR's approach of a 2-year base period plus three 1-year renewal options should be adopted

as the Army standard. It gives the contractor adequate time to transition into the Army environment and to amortize associated capital investments and at the same time protects the Army in the outyears.

**Recommendation.** Department of the Army use a 2-year base period plus three 1-year renewal options in all future solicitations for commercial travel services.

### **Subcontracting**

Both the Fifth U.S. Army region and the USAREUR acquisitions comply with the subcontracting (to small/disadvantaged businesses) requirements of the Federal Acquisition Regulation. However, in its commercial travel services program, the Army has the opportunity to aggressively seek out and assure small/disadvantaged business participation where it is feasible and economical.

**Recommendation.** Department of the Army require a subcontracting plan involving participation by small/disadvantaged businesses in all future solicitations for commercial travel services.

In such solicitations, the Army needs to include goals for small/disadvantaged business utilization and ensure realism of the subcontracting approach.

### **Source Selection Criteria**

The criteria used in selecting the contractor in the Fifth U.S. Army region supported the Army's requirement to select the travel agent whose proposal offers the greatest value to the Government in terms of performance and other factors. The availability of acceptable/nonacceptable criteria, however, would have aided in streamlining the selection process and in simplifying and speeding the selection.

**Recommendation.** Department of the Army use acceptable/nonacceptable evaluation criteria, in addition to other evaluation criteria, on as many proposal elements as practical in future solicitations for commercial travel services.

Acceptable/nonacceptable criteria should be applied to evaluating such proposal elements as possession of Airline Reporting Corporation and International Air Transport Association appointments, and the ability of computer reservation systems (CRSs) to meet the Army's requirements. In these and other elements, the



Army should specify its requirements and the contractors must either meet them or be judged nonresponsive.

In addition to converting selected proposal elements to permit evaluation by applying acceptable/nonacceptable criteria, the Army should (1) add a number of evaluation elements to those used in the Fifth U.S. Army region and USAREUR acquisitions and (2) require offerors to demonstrate they can realistically satisfy those additional elements.

**Recommendation.** Department of the Army add realism of official and unofficial travel concession fees, unofficial travel marketing plan, facility utilization plan, and plan for independent auditing of ticketing as additional selection criteria in future solicitations for commercial travel services.

These additional criteria, along with the other recommended changes, will provide the Army with a credible evaluation approach as it moves forward in establishing commercial travel offices worldwide.

## **CHAPTER 3**

### **OVERVIEW OF THE ARMY'S TRAVEL SERVICES PROGRAM**

The Army's travel services needs are twofold: arranging, booking and ticketing of official travel, and satisfying the unofficial travel needs of a large community of soldiers, civilians, retirees, and their families.

#### **OFFICIAL TRAVEL**

Each year Army personnel spend in excess of \$1 billion on travel-related expenses. About one-third of these expenses are for transportation — usually air — with the remainder comprising the costs of accommodations, rental cars, meals, and incidentals. The Federal Government has done much to reduce the costs associated with its official travel, with the General Services Administration (GSA) and the Military Traffic Management Command (MTMC) working together to negotiate discounts on airfares, car rentals, and hotel accommodations. Those discounts are described in Appendix C.

Since Army travel policy in most cases predetermines the air carrier and fare to be used by the traveler and narrows the choice of hotel and rental car agency to those offering Government discounts, the work of a travel agency in arranging official travel is driven much more by service than by cost. (In contrast, service and cost are equal considerations in the private sector.) The Federal Government, through its discount programs and per diem limits, has removed a large part of the burden of controlling costs from the travel agency. The agency serves primarily as a vehicle to book reservations, issue tickets, and collect data. It does so at little cost to the Government, earning revenue in the form of commissions and other incentives from the airlines, hotels, and rental car companies.

#### **UNOFFICIAL TRAVEL**

Unofficial travel service is offered to the Army community for two reasons. The first and most important is as a service to simplify the traveler's ability to conduct leisure travel in conjunction with official travel and to provide a convenient source of unofficial travel products for Army members and their families. The second reason

the Army sponsors unofficial travel service is to generate revenues for its MWR program. The providers of the travel service have, for the past few years, paid a concession fee to the Army on all unofficial travel sales for the right to do business on-post.

## **HISTORY OF ARMY RELATIONSHIP WITH TRAVEL SERVICE PROVIDERS**

Official Army travel is arranged and provided in various ways: the issuance of a Government Transportation Request (GTR) to an individual traveler to purchase tickets for a particular trip, the use of Government employees as in-house travel arrangers, and the use of SATOs.

In the past, SATOs have booked and ticketed approximately 75 percent of official Army travel. Established in 1949 as an airline industry joint venture to provide on-post reservation and ticketing services to DoD components, SATOs have since expanded to service non-DoD agencies as well. Of the more than 600 SATOs operating at the end of calendar year 1987, about 230 serviced the Army.

Originally, each SATO location was sponsored by one of the member airlines of the Air Transport Association. The sponsoring airline staffed the office with its employees, who made reservations on all scheduled commercial flights. This situation changed in 1985 when a Department of Transportation ruling revoked SATO's antitrust immunity. Following that ruling, SATO, Inc., an independent corporation owned by the airlines, took over the operation of domestic SATOs. Many of the original airline employees are on loan to SATO, Inc., and still provide much of its staffing.

Outside CONUS, SATOs were not affected by the ruling, and they continued as a joint venture operated by the Air Transport Association. This venture is called SATO-OS (overseas), and its offices are also called SATOs.

As the name implies, the initial focus of SATOs was on commercial air transport. More recently, they have expanded to other travel services such as making hotel/motel and rental car reservations and offering other travel enhancements such as advance seat assignments and boarding passes.

The relationship between the Army and SATOs has always been cooperative and informal. From the time of its establishment until 1981, when they entered into a short Memorandum of Understanding (MOU), no formal agreement existed. As

viewed by the Army, SATOs have demonstrated their ability not only to provide the services subject to the MOU but also to respond to emergency situations. They have opened additional offices in less than 24 hours on several occasions, notably for the evacuation of Vietnam, the invasion of Grenada, and the Cuban boat lift.

In 1984, the Army and SATOs entered into a separate MOU for unofficial travel, the most significant provision of which was the institution of a DoD-negotiated 3 percent concession fee to be paid by SATOs to the Army's MWR accounts on all unofficial travel sales.

### **CURRENT TRAVEL PROGRAM OVERSIGHT**

The Army monitors and oversees its official travel program and SATO's travel services support through a network comprised of

- The Department of the Army Deputy Chief of Staff, Logistics (DCSLOG)
- MTMC
- Army MACOMs in CONUS and Army components of Unified Commands overseas
- Installation Transportation Officers (ITOs).

The DCSLOG is responsible for the development of Army policy and the interpretation of entitlements affecting the movement of Army passengers. MTMC, DoD's single manager for traffic management, exercises direction, control, and supervision of the functions having to do with obtaining and using passenger transportation services for all DoD. Army MACOMs and the Army components of overseas commands control the operation of the many installations in the Army inventory. Appointed ITOs are responsible for travel services functions that include overseeing the operation of SATO offices at those installations and other Army-operated sites.

In addition to meeting its official travel requirements, the Army operates a variety of facilities worldwide that offer the soldier, his/her family, and other members of the Army community the opportunity to enjoy off-duty time by engaging in sports, crafts, and other recreational activities. Some of these facilities also provide travel services support for leisure or recreational travel, including

Information, Ticketing, and Registration (ITR) offices;<sup>1</sup> United Services Organization Recreational Services Offices; the Army and Air Force Exchange Service; and Tours and Travel Centers. These activities fall under the umbrella of the Army Community and Family Support Center and generate revenue for the Army MWR accounts.

In summary, the current structure for monitoring and overseeing the Army's official and unofficial travel services program is a loosely organized network comprised of a variety of command and staff elements. Operating authority and primary oversight are decentralized, being managed principally at the local (installation) level. Monitoring and general oversight are exercised at various levels, up to and including the Department of the Army.

### **ARMY STRATEGY FOR COMPETITIVE ACQUISITION OF TRAVEL AGENCIES**

As discussed in Chapter 1, four factors have contributed to the end of the noncompetitive arrangement between the Army and SATO, Inc., and resulted in the Army competitively acquiring commercial travel offices to replace existing SATOs and Army-employed travel arrangers: the congressional mandate for all Federal Agencies to compete travel services, deregulation of the airline industry, lifting of the prohibition against the use of travel agents by the Government, and SATO's loss of antitrust immunity.

In June 1986, the Army developed a strategy for competitive acquisition of both official and unofficial travel services on a regional basis. In that strategy, the regions within CONUS correspond to the geographic boundaries of the numbered continental armies even though the armies themselves have no role in the acquisition. A MACOM is assigned the lead for each region and supervises the acquisition for the entire region. The major elements of that strategy include the following:

- A single commercial travel agency to be awarded the contract for operation of all official and unofficial travel services offices in the region
- All Army installations within the geographical bounds of the region to be incorporated into the regional contract (regardless of type of installation or chain of command)

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<sup>1</sup>Formerly Information, Tours, and Tickets (ITT) offices.

- A concession fee of at least 3 percent on unofficial travel to be required of the successful offeror
- Service to be the major selection criterion for choosing the contractor
- The amount of the offered unofficial travel concession fee to be considered as a lesser criterion
- An official travel concession fee, if offered, to be accepted but not considered as a criterion.

The Fifth U.S. Army region, encompassing Army installations in the states of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas was selected as the lead region, to be closely followed by USAREUR.

### **The Fifth U.S. Army Acquisition**

The U.S. Army Forces Command (FORSCOM) was assigned as the lead MACOM for the Fifth U.S. Army region acquisition. In carrying out that assignment, FORSCOM developed both the RFP and the source selection plan. It also designated the Contracting Office at Fort Sam Houston, Texas, to execute the acquisition and administer the contract. That office was selected because of its proven expertise in contracting and because Fort Sam Houston is a FORSCOM installation.

The development of a commercial travel services RFP represented a first-time effort for FORSCOM and the Army. In preparing the RFP, FORSCOM made use of several documents, including a draft MTMC proposal, GSA Travel Management Center contracts, and advice from Headquarters, Department of the Army, other MACOMs, and affected installations. That RFP was issued on 14 January 1987 and responses were due on 31 March 1987.

In total, 299 potential offerors expressed interest in the contract and were sent copies of the RFP. A preproposal conference was held on 10 February 1987. As a result of the conference, the solicitation was amended to clarify several points and the offer's closing date was extended to 10 April 1987. Ten offers were received, including two joint ventures and one from SATO, Inc.

The Army followed formal source selection procedures in choosing the successful offeror from among the proposals submitted. It employed a source selection plan containing the methodology for the process and formed a multitiered organization to

make the selection: a Source Selection Evaluation Board to evaluate the proposals and assist in negotiations; and a Source Selection Advisory Council to assist the Source Selection Authority, a brigadier general from FORSCOM, in making the decision. The evaluation of offers began in April 1987 and was completed in August with a preliminary selection of SATO, Inc., as the successful offeror. During a preaward briefing to the Army Acquisition Executive, the Under Secretary of the Army, the decision was made to withhold award of the contract pending further review. On 17 December 1987, the Under Secretary directed the award to Ask Mr. Foster. He found that the "technical superiority of the Ask Mr. Foster proposal outweighs the small advantage in concession fee rebates offered by SATO," and he did not agree with the determination by the Source Selection Authority that the Ask Mr. Foster and SATO proposals were "essentially comparable."

In accordance with the Under Secretary's decision, the contract was awarded to Ask Mr. Foster. SATO, Inc. immediately protested to the GAO, alleging that the award had been made on political grounds to an organization other than the incumbent and that the Under Secretary did not have the right to overturn the decision of the Source Selection Authority. Pending the results of the protest, the contracting officer issued a Stop Work Order to Ask Mr. Foster. In late March 1988, the GAO found in the Army's favor and the Stop Work Order was lifted. Contract implementation began in July 1988 and is to continue with monthly phase-in of sites until completion in late October 1988. The contract period is for 1 year, with four 1-year options to renew. The Fifth U.S. Army region contract is expected to generate revenues (sales) exceeding \$86 million, the amount realized prior to contract implementation.

The Fifth U.S. Army travel services contract is being administered on several levels. The contracting officer, assisted by a full-time Fort Sam Houston contract administrator, has oversight authority for the entire contract and is the only one authorized to negotiate changes.<sup>2</sup> In addition, the ITO at each base has been assigned a collateral duty as contracting officer's representative (COR) for official travel. Similarly, an MWR representative has been assigned the collateral duty as COR for unofficial travel at each large installation. A representative of the

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<sup>2</sup>A second contract administrator may be added.

U.S. Army Community and Family Support Center, the Army's coordinator of all MWR activities, has been appointed as an additional COR.

### **Acquisition of Travel Services in U.S. Army, Europe**

The factors that led to the competitive acquisition of travel services in the Fifth U.S. Army region served as catalysts in USAREUR's travel services acquisition. The following additional factors influenced USAREUR's acquisition:

- Department of the Army policy permitting theater commanders to administer their own travel services programs
- Court-ordered competitive acquisition of travel services by USAREUR stemming from a lawsuit filed against the Army by a West German travel agency (Barbarossa Tours/Travel)
- The traditional role of the nonappropriated-funded ITR offices serving the leisure travel needs of the USAREUR community, and their expanded role following the ouster of the West German travel agency contracted to provide leisure travel services to USAREUR
- The relative size of the official and unofficial travel markets (unlike in CONUS, most of the travel of Army personnel stationed in Europe is unofficial, in that military and civilian Army personnel and their families generally take advantage of their limited time overseas to visit as much of the area as possible).

In consideration of these factors, and driven by the circumstances and results of the legal proceeding launched by Barbarossa Tours/Travel, USAREUR used the Fifth U.S. Army region acquisition package as a baseline on which to build its own performance work statement, RFP, source selection plan, and management structure. To that baseline it added a number of enhancements and adjustments designed to accommodate the unique travel requirements of USAREUR and the differences between the overseas and CONUS travel services environments. Some of those enhancements are

- Formation of a Travel Management Committee to supervise and monitor the management of travel services within USAREUR and to ensure that established objectives are met. Committee members represent the USAREUR Deputy Chief of Staff for Logistics (chair), Deputy Chief of Staff for Personnel and Resource Management, Judge Advocate General, U.S. Army Contracting Command Europe, and 1st Personnel Command. The Committee is responsible for coordinating the actions of USAREUR



elements in the development, implementation, and evaluation of travel policies, programs, and procedures for official and unofficial travel.

- Establishment of commercial travel offices, consisting of centrally located hubs in each community in which the contractor and Government's travel service managers and operators function.
- Designation of a Travel Management Specialist position for each of five USAREUR designated regions. The trained and experienced individuals to be selected to fill these new posts will be designated CORs and supervise the activities of community level assistant Contracting Officer Representatives (ACORs). The ITOs will serve as ACORs for official travel contractor operations, and representatives from community Directorate for Personnel and Community Affairs offices will serve as ACORs for the unofficial travel contractor operations.

USAREUR is currently contracting for travel services support. It has issued its RFP, which permits respondents to bid on any or all of its five regions. Two of those regions are comprised of the cities of West Berlin because of its uniqueness and isolation within the German Democratic Republic and Heidelberg because USAREUR headquarters is located there. The other three regions correspond to specific command areas of responsibility – V and VII Corps and the 21st Support Command. Combined, the five regions represent 48 contract performance locations and an estimated annual volume in travel sales of \$100 million. Contract award and initiation of operations is projected for late 1988 or early 1989.

## MEETING TOMORROW'S CHALLENGES

The Army and SATO have been partners for four decades. Those years have recorded untold millions of satisfied Army travelers and a variety of contingency requirements successfully met. Neither this report in general nor the material in the following chapter specifically is intended to reflect unfavorably on that partnership or to criticize the Fifth U.S. Army region or USAREUR acquisition efforts. On the contrary, this report has but one purpose: to capitalize on the years of experience provided by the Army/SATO experience, the lessons learned from the Army's competitive acquisitions of travel services, and private-sector practices so that future solicitations may be prepared and competed in the most efficient, economical, and effective manner possible. Our goal is to offer the Army a roadmap for the difficult and challenging transition to selecting competitively acquired commercial travel agents to service its official and unofficial travel requirements.

## CHAPTER 4

### TRAVEL PROGRAM FINDINGS, CONCLUSIONS, AND ENHANCEMENTS

The Army is facing a unique challenge – how to obtain effective and economical travel services through competitively contracted commercial travel offices. An acquisition effort of the magnitude planned by the Army – more than \$1 billion annually – demands resolute, knowledgeable management and a structured program. In meeting that challenge, the Army needs to start with an unequivocal commitment to stewardship of its commercial travel services program. It must start now to apply time, energy, and funding to define the program objective, establish program oversight, design a management infrastructure, and identify and obtain the necessary resources.

This commitment to program establishment and enhancement is the linchpin for future success. It is imperative for two reasons: the program is new and the Army has little experience in contracting for travel services.

In this chapter, we present our findings and conclusions on the three core issues confronting the Army as it meets that challenge – objective, oversight, and process. We also provide the background and rationale for the recommendations presented in Chapter 2 and a variety of management enhancements to the travel program's acquisition process.

#### **PROGRAM OBJECTIVE**

The Army's commercial travel services program is in its infancy. Only one regional contract, encompassing the eight states of the Fifth U.S. Army region, has been awarded and is in the process of being implemented. Another solicitation is underway for USAREUR. Aside from these two efforts, the Army has little experience in competitive acquisition of commercial travel services.

Additionally, the Army vacillated over which of two priorities would receive primary emphasis during the Fifth U.S. Army region RFP development and source selection efforts. Some elements of the Army staff, as well as those of major and

overseas commands, argued for low-cost, efficient, and responsive service; others campaigned for maximum unofficial travel concession fees so as to generate as much revenue as possible for the MWR accounts. This divisiveness has not yet been resolved.

Approximately 90 percent of the monies spent for travel booked through travel agencies go to vendors, such as the airlines, hotels/motels, car rental companies, and bus lines. The remaining 10 percent, although paid by the purchaser to those vendors, is returned to the travel agencies in the form of commissions and other compensation.<sup>1</sup> This 9:1 ratio demands that the Army emphasize low cost and high quality from the travel vendors in its commercial travel services program. The Army must view the generation of MWR revenues through concession fees paid on unofficial travel sales as a benefit, not a program driver.

The absence of a concise, defined objective for the Army's commercial travel services program is not surprising in light of the program's newness and the divergent views of its proponents. However, prompt adoption of an objective focused on effective and economical travel services for all members of the Army community is mandatory.

#### PROGRAM OVERSIGHT

The Army's commercial travel services program is a significant initiative. In terms of dollars spent and the mission importance of travel requirements, it is at least equal to, and in many cases exceeds, some major weapon system acquisition programs.

The Army's effort to contract for commercial travel services is unique in several ways, particularly from the standpoint of establishing contractual relationships with travel agencies. Under the terms of the contracts, travel agencies provide a service at no cost to the Army.<sup>2</sup> In addition, the Army may, as we recommend, receive a concession fee for official travel as well as for unofficial travel. In short, the Army travel services program both provides a service and returns a percentage of the Army's travel dollars.

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<sup>1</sup>Approximate; actual commissions vary.

<sup>2</sup>While the Army's acquisitions of travel services specify "no-cost," they incur implicit costs such as electricity, telephone lines, and rent-free facilities.

As with any program involving the expenditure of appropriated funds, the Army must have adequate controls and oversight in place and functioning even if the program is dependent upon contractual relationships. Those controls and oversight responsibilities, however, have not yet been established for the Army's commercial travel services program.

We believe it is just as important for the Army to oversee the expenditure of its travel dollars under these conditions as it would be if a fee were paid for the travel agencies' services. Without dedicated management, an assurance of effective, low-cost, responsive travel services support would be difficult to obtain. The private sector has already learned that lesson. Many large firms have established corporate travel departments to develop corporate travel policy and oversee the implementation and application of that policy (Appendix D summarizes how three U.S. corporations use travel agencies). The benefits of establishing such corporate travel departments are numerous, with the most important being reduced travel costs, often in the range of 20 percent to 30 percent.

The Army needs to establish an office to oversee its travel services program. That office must be staffed with experts in all aspects of travel services and their acquisition. As a minimum it must perform the following actions:

- Track changes, innovations, and developments in the travel services industry and issue policies and procedures to field organizations to incorporate those changes
- Provide guidance and direction to regional offices in structuring statements of work, RFPs, and source selection plans for the acquisition of commercial travel services
- Train contracting officers and contract administrators and their representatives in the unique requirements of travel services contracts
- Approve source selection plans, including Source Selection Evaluation Board membership, and modify as appropriate
- Chair Source Selection Evaluation Boards for all acquisitions of commercial travel services
- Maintain a list of personnel capable of serving as technical evaluators on Source Selection Evaluation Boards
- Suggest changes to Army travel policy that improve the effectiveness and economy of travel services

- Establish and maintain a permanent program review staff responsible for oversight of the travel services program Army-wide
- Develop a standardized quality assurance plan.

Because the commercial travel services program is so new and requires many skills not now available within the Army, it cannot simply assign the above responsibilities to an activity and then expect they will be carried out. The Army must give special attention, at least initially, to its commercial travel services program by establishing a Program Management Office.

The transition to competitively acquired commercial travel services will inevitably change the way the Army conducts its travel business. In the past, oversight of official travel services has generally been limited to reviewing trip itineraries for policy conformance and to resolving problems, with wide variation from installation to installation even for those simple functions. Obtaining negotiated discounts and collecting aggregated data were viewed as achieving standardization and centralized oversight. This "hands off" approach will not be adequate in a contractual environment. Moreover, the Army would miss significant cost-reduction opportunities if it fails to take advantage of changes in the evolving travel services industry.

In the private sector, as noted previously, corporations save 20 percent to 30 percent of travel expenditures above and beyond any existing discounts by centrally managing travel services, policy, and enforcement. While Army travel policy is already defined and discounts are sizable, we believe that additional savings and cost avoidance of at least 10 percent are possible.

To achieve those additional savings without reducing service or inconveniencing travelers, the Army needs to create a travel management infrastructure composed of personnel with knowledge of all aspects of the travel industry. The infrastructure, encompassing all levels within the Army, must include

- Procuring contracting officers
- Administrative contracting officers
- Regional contract administrators/travel management specialists
- ITOs.

With the exception of the travel management specialists, these components of the infrastructure already exist. They need only have their roles defined and receive additional training on travel services.

The Army should establish a new position of "travel management specialist." To properly oversee a travel contract, such specialists must have knowledge of both travel services and contracting. They also should be responsible for the following activities:

- Serving as principal assistant to the contracting officer for contract oversight as well as principal regional field representative for the travel services program manager (possibly in the role of COR)
- Monitoring results of installation quality assurance surveillance of the contractor
- Monitoring trends in contractor performance to identify deficiencies before they become problems
- Communicating lessons learned among sites
- Directing increased or reduced surveillance of the contractor when appropriate
- Monitoring travel services training of ACORs, ITO travel personnel, and quality assurance evaluators
- Randomly inspecting contractor operations, including quality control
- Recommending changes to the quality assurance plan
- Recommending contract changes to be negotiated
- Producing quarterly evaluations of contractor performance
- Supervising field tests of alternative travel policies as directed by the program manager
- Advising travel-sponsoring commands of policies, practices, and trends affecting their travel budgets.

The designation of travel management specialists to serve as CORs is vital. Unlike other commodity or service contracts, travel service differs every time it is provided. Costs, routings, and airline seat availabilities change constantly; even with the most sophisticated electronic monitoring systems, it is impossible to reconstruct and review a specific airline reservation more than a few hours after the

fact. For planning purposes, we believe that one travel management specialist for each 12 to 15 sites would be sufficient. Such a staffing density would allow one-third of the specialist's time to be spent on quarterly visits to each site.

ITOs and their staffs should be primarily responsible for monitoring day-to-day operations of the travel agencies. That new role can be added without any increase in staffing. For effective contract oversight of official travel services to exist under these conditions, the Army must take several actions, including the following training for ITOs and their assistants:

- Responsibilities of CORs in general
- Specific responsibilities of CORs for the particular travel services contract
- Operations and procedures of the travel services industry.

With proper training and authority, ITOs and their staffs will be able to assume COR responsibilities without degradation of existing assigned functions.

#### **ENHANCING THE ACQUISITION PROCESS**

This section addresses specific actions the Army should take once it has established a clear program objective and acceptable program oversight in the acquisition of commercial travel services.<sup>3</sup>

The first set of actions are discussed in the section "Policy Issues" and relate to the following:

- Contract size
- Concession fees
- Combined acquisitions
- Contract term.

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<sup>3</sup>The reader will note that some issues are addressed more than once. As an example, concession fees and subcontracting, among others, are discussed in the section dealing with solicitation-related matters and again in the section dealing with evaluation actions. Other issues, such as the Government charge system, are addressed in the body of the report as well as in an appendix. This technique is employed to ensure that each issue pertaining to more than one contracting area is addressed within the context of each of those areas.

The second set of actions is discussed in the section "Streamlining and Standardizing the Acquisition Process." They are discussed in two subsections as follows:

- The section "Request for Proposals" includes the approach, requirements and statement of work changes, and format.
- The section "Source Selection Plan" includes selection criteria, the Source Selection Evaluation Board, and other source selection issues.

## **Policy Issues**

### ***Contract Size***

While the Fifth U.S. Army region travel services contract demonstrates that a regional acquisition is feasible, two questions remain: Should the size of a regional contract be larger or smaller? Should the Army pursue a single, global contract?

Today, the Army is not in a position to consider, let alone administer, a worldwide contract for commercial travel services. It does not have the infrastructure to make such a contract a viable option, particularly in the area of contract administration, nor does it have sufficient experience in travel management. It does not yet fully comprehend the geographical, cultural, and legal differences such a contract would have to overcome.

In addition, in some environments, particularly those overseas, specialized considerations are required when acquiring travel services. "Command prerogative," for example, allows an overseas commander to exercise control of travel services requirements and retain jurisdiction over the methods used to satisfy those requirements. Likewise, Status of Forces Agreements and other restrictions make overseas communities distinct. For example, in Japan employers offer lifetime commitments to their employees; German law requires 5-year leases on office space, 10-year leases on equipment, and 5-year employment contracts; and in the Republic of Korea, the Ministries of Transport and Foreign Affairs deny operating licenses to any foreign firms offering products or services that Korean industry is capable of providing. Finally, it is doubtful that any travel agency has a sufficiently large worldwide presence to be able to accommodate a global contract.

Contracting at the installation level also has some disadvantages. Most significant is that some installations are too small to support a single, economically viable, travel services contractor. Furthermore, contracting at the installation level



does not provide an in-place organization to handle mobilization or national emergencies. It is much easier to organize a rapid response among several regional prime contractors than among hundreds of individual contractors. In addition, installation contracting would substantially increase the difficulty of standardizing services across sites. A regional contract, unlike installation-level contracts, would provide economies of scale for the Army in acquiring and administering the contract, and for the travel agency in acquiring equipment and software, reporting, quality control, and other functions.

A more appropriate contract size falls somewhere between the global and installation levels. The Fifth U.S. Army region acquisition succeeded in soliciting a number of responses and in selecting and awarding a contract, even in the face of a postaward protest. However, no evidence indicates that the size of the region materially contributed to that success. If the design of subsequent Army acquisitions can benefit from the many lessons learned, we believe the Army can successfully cope with commercial travel services contracts as large as that for the Fifth U.S. Army region. However, the Army should consider partitioning regions of that size into subregions for either contract award, contract implementation, or both.

For any contract size the Army selects, however, each Army traveler must be assured of consistency of service at any Army installation worldwide. The Army must assess and standardize its own operations, as well as seek this consistency from all commercial travel offices, regardless of the number of contractors involved.

### ***Concession Fees***

The Army decided not to seek a concession fee for official travel in the Fifth U.S. Army region acquisition. That decision was based in part upon a stated desire to focus on obtaining high-quality travel service, and the perception that an official travel concession fee would lead to reduced service levels. However, that decision was equally the result of the insistence of Army personnel who sought maximum unofficial travel concession fees for the MWR community. Another argument against concession fees for official travel was that Government fares are already so low the travel agency receives insufficient revenue. We found no evidence to support that argument. We believe that the Army, by not seeking a concession fee on official travel, has incurred a substantial and unnecessary reduction in the purchasing power of its official travel dollars through concession fees forgone. Moreover, the

Army's position is contrary to that taken by much of the private sector and even other Federal Agencies, which accept official travel concession fees as a matter of course and experience no diminution in quality of service.

The annual estimated official travel volume in the Fifth U.S. Army region is \$65.7 million, as stated in the RFP. Based on that volume, Table 4-1 shows upper and lower estimates of the costs of concession fees forgone.<sup>4</sup> In one sense, the amounts in Table 4-1 represent the travel funds that would otherwise be available to conduct more travel at the Army locations served by the commercial travel offices. Alternatively, they represent potential cost avoidance that the Army failed to pursue.

TABLE 4-1  
CONCESSION FEES FORGONE  
FIFTH U.S. ARMY REGION ACQUISITION

Concession fee (percent)	First year (\$ millions)	Five years (\$ millions)
1	0.66	3.29
2	1.31	6.57
3	1.97	9.86
4	2.63	13.15
5	3.29	16.44

The 1987 estimated commercial transportation purchased by the Army for official travel was \$365 million. Using the same computation procedures as above, the decision to forgo concession fees for official travel worldwide could cost the Army between \$3.65 million and \$14.6 million for the first year alone.

The quality of service, however, was not the only reason for renouncing official travel concession fees. The Fifth U.S. Army region acquisition combined both official and unofficial travel services. As a result, some Army elements concluded that to seek a concession fee for official travel would reduce the amount of the concession fee offered for unofficial travel. They argued that to do so would subsidize

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<sup>4</sup>See Appendix F for representative concession fees obtained by other Federal Agencies.

the official travel concession fee with nonappropriated-fund dollars that would otherwise be returned to the Army MWR community through the unofficial travel concession fee.

That argument is seriously flawed. Not having to provide an official travel concession fee clearly permits travel agencies to offer unofficial travel concession fees higher than would otherwise be expected. Thus, the refusal to seek official travel concession fees amounts indirectly to a subsidy of the MWR community's accounts with appropriated funds.

The Army must avoid any form of subsidy — or even the perception of a subsidy. Official and unofficial travel services should be self-sufficient. If the Army wishes to ensure minimum acceptable concession fees, the RFP may specify floors for both official and unofficial travel, although such floors are neither necessary nor desirable because they essentially drive the amount offered rather than letting free market conditions dictate. Those floors need not be set at the same level.

We find, therefore, that the Army's best interest is served by seeking concession fees on official travel, and allowing market forces to determine the amount of those fees. Negotiating business travel concession fees from travel agencies is an accepted commercial practice, as is seeking discounts on standard economy class fares. The Army has no reason to reject such practice.

Although official travel concession fee percentages can be computed in several ways, the simplest and most effective method is to allow potential travel services contractors to determine the portion of their total official travel revenues (from all sources) they are willing to return as concession fees and then express that amount as percentages of the anticipated commercial air travel volume only. By excluding other than air sales revenues from this computation, the offered percentage should be higher for the same dollar volume of concession payments. It will also permit the Army to readily track and audit contractor adherence to the contract terms. This method has been adopted successfully in the corporate travel arena.

The acceptance of an official travel concession fee poses one accounting difficulty not presented by the acceptance of an unofficial travel concession fee. Unofficial travel concession fees, for the most part, flow directly to installation MWR accounts. Official travel concession fees, on the other hand, must ultimately be returned to the military accounts that actually pay for the travel. The difficulty

arises when multiple funding activities use a particular commercial travel office, thus imposing a potentially complex accounting task. One solution is to implement point-of-sale discounts with the funding activity being charged only the net fare. That approach, however, would likely be rejected by the airlines. A more practical alternative would be to implement point-of-billing discounts utilizing the Government charge system. Even this alternative, however, poses difficulty because many Army activities do not use that system.

### ***Combined Acquisitions***

Although we were not tasked to consider whether the Army should seek official and unofficial travel services through separate contract actions, the question arises as a logical outgrowth of the study approach.

If the Army acquired official and unofficial travel services separately, an RFP for unofficial travel services might not receive acceptable offers for all locations, especially the smaller installations. Such a result would be in conflict with the Army's desire to provide such services to the entire Army community.

With separate acquisitions, additional costs would be imposed on the MWR side of the Army — costs for issuing an RFP, evaluating responses, selecting a contract travel agency, and monitoring the contract. Unless such travel offices could generate a sufficiently large volume of unofficial travel sales, the overhead costs might easily offset any unofficial travel concession fee.

Separate contracts for unofficial travel also would require the procuring MWR entity to provide on-site office spaces not otherwise assigned to appropriated fund activities. Such a requirement could lead to a degradation of the "one-stop shopping" concept for customers seeking to combine official and unofficial travel if those sites were not conveniently close to the official travel offices.

We believe, then, that the Army should continue to combine the procurement of the two types of travel services.

### ***Contract Term***

The Fifth U.S. Army region acquisition specified a base period of 1 year, with four 1-year options. We believe that a 2-year base period with a maximum of three 1-year options would be more appropriate. The 2-year base period allows contractors

to amortize their initial capital investments over a longer period. It also reflects the long leadtime needed to conduct a follow-on acquisition. Under a 1-year base period regional contract, any decision to restart the acquisition process would have to begin before, or shortly after, the contractor had completed the transition at all sites within the region in order for a new contractor to be ready to take over at the end of the first contract year. Such a procedure is clearly unworkable.

As it gains experience and the travel industry changes, the Army may desire to realign contract regions. Unless a mechanism exists within the travel services contracts to allow contracts in different regions to expire simultaneously (other than through termination for the convenience of the Government), such realignment could be difficult and expensive. The Army can avoid that problem by including in all travel services contracts clauses permitting it to terminate the contract (upon proper notice) up to 90 days early or to extend its application for up to 270 days in the base or any option year. If each contract has such clauses, coordinated realignment should be possible. An alternative would be for travel services contractors in all regions to have the same start and stop dates. Unless the Army plans in advance for future realignment, it may unintentionally lock itself into a rigid, unworkable regional configuration.

### **Streamlining and Standardizing the Acquisition Process**

To ensure effective and economical travel services for its community, the Army must tailor the various stages of the acquisition process to complement each other. The RFP should lead to offers that are easily evaluated, which, in turn, should lead to the selection of the travel agent considered best able to provide travel services for the Army. The acquisition process, as followed in the Fifth U.S. Army region and in USAREUR, can be streamlined and standardized by following the steps described below.

As the initial step, the travel services program manager needs to develop a generic RFP and source selection plan. Those documents would then serve as baseline guidance to be tailored by contracting activities to meet the specific needs of

each region. Maintaining centralized control of the generic RFP and source selection plan will satisfy several key objectives. It will:

- Standardize travel services worldwide (subject to local variations, such as imposed by Status of Forces Agreements)
- Incorporate lessons learned into subsequent solicitations
- Offer an evolutionary approach and contract terms that take advantage of changes in industry practices or state of the art
- Reduce duplication in preparing for future solicitations.

Without a consistent framework on which to base each acquisition, variance of terms between contract regions and stagnation of approach can be expected.

### ***The Request for Proposal***

In its first-time efforts to competitively acquire the services of travel agencies, the Army followed a cautious contracting approach. This resulted in overly detailed RFPs and, consequently, cumbersome proposals, evaluations, and contracts. The Army must view the transition from existing structures to commercial travel services as an opportunity to change for the better both its own procedures and its travel services environment.

***RFP Approach.*** Three facts have been overlooked in the acquisition process to date. First, travel agencies know more about running a travel agency than does the Army. Second, although travel agencies differ, any of the top proposers in a given acquisition are likely to be capable of meeting the Army's needs. Thus, the proposal and selection efforts involve primarily decisions on enhancements, not basic service. Third, unless the Army is willing to assess and understand its own procedures and the changes desired, and to communicate its intentions to the field, it cannot expect the contractor to implement them. Moreover, where an installation perceives a change as a unilateral contractor action rather than an implementation of Army policy, an antagonistic relationship can be expected to develop.

The generic RFP (and each RFP based upon it) must be grounded on a clear understanding of these facts. Furthermore, the generic RFP should incorporate several principles.<sup>5</sup> It must

- State all objectives so that offerors may address them
- State desired results, not processes
- Lead to proposals consistent in format with the evaluation plan
- Lead to proposals that concentrate on areas in which the approach may differ between offerors; for nonnegotiable, noninterpretable requirements, a simple commitment, without explanation, from the offeror should be adequate (such as the capability to issue bus or rail tickets)
- Communicate to potential offerors, accurately and consistently, all the supporting information they will need to respond.

We address the specifics of these principles below.

**Clarity.** Both the Fifth U.S. Army region and USAREUR RFPs appear to place procedural compliance with various contracting requirements as their first priority. RFP travel services requirements are interspersed with contractual "boilerplate." Consequently, information on how the Army intends to conduct business is hidden among dozens of references, some vital, others having little pertinence to the contractor. Segregation of the travel services requirements (in the Statement of Work) from the general contracting requirements will simplify contractor proposal writing, Army evaluation, contractor implementation, and COR oversight.<sup>6</sup>

**Preparation.** The generic RFP must be tailored to meet the needs of each acquisition. The Army must be attentive to details early in its contracting effort, including the operation of each regional installation, office, or activity. The individuals responsible for tailoring the generic RFP should visit each site

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<sup>5</sup>See Office of Federal Procurement Policy, Pamphlet #4, *A Guide for Writing and Administering Performance Statements of Work for Service Contracts*, Oct 1980.

<sup>6</sup>Various GSA Travel Management Center contracts are excellent examples of this approach.

during the RFP preparation phase to collect and include in the RFP accurate workload, space, facilities, population, and other information.<sup>7</sup>

***RFP Requirements/Statement of Work Changes.*** The Statement of Work sections of the RFPs used in the Fifth U.S. Army region and USAREUR need to be revised to follow the guidelines described above. While their content is generally correct, we suggest modifications in several areas:

- Expansion/mobilization
- Independent audits
- Staffing
- Automation
- Management reporting
- Subcontracting
- Concession fees
- Leisure travel marketing.

***Expansion/Mobilization.*** The RFP should require the travel agency to deal with five separate expansion/mobilization issues:

- Accommodating full- or large-scale mobilization requirements
- Opening temporary offices, increasing staffing, or expanding hours at existing sites to meet emergency requirements
- Adding sites within the geographic boundaries of the region
- Upgrading service at low-volume sites as volume increases
- Expanding during peak travel periods.

***Independent Audits.*** The use of independent audits to review travel agency performance as reservations are made is becoming common practice in the private sector. It offers the following benefits:

- Evaluation of the effectiveness of the contractor's travel services and quality control procedures

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<sup>7</sup>Federal Acquisition Regulation, Part 7, Subpart 7.1, "Acquisition Plans," describes the policies and procedures for developing acquisition plans.



- Detection and correction of errors before monies are spent
- Real-time verification of the availability of capacity-controlled seats
- Ongoing review of reservations between the time of booking and the time of ticketing to take advantage of fare reductions or changes in seat availability.

The Army should require the successful offeror to cooperate with independent audits. While the scope of the auditing may vary from one region to another and even among sites, we suggest the following as minimum requirements:

- Complete (100 percent) auditing of international reservations, reservations made at fares above contracted city-pair rates, and fares for which no contract fare exists (these fares are more likely to contain errors, with a higher potential cost, than contract fares)
- Random sampling of unofficial travel bookings and official travel reservations at or below city-pair rates to evaluate the contractor's ability to seek the lowest applicable fare; the amount of sampling should be increased if error rates are found to be high.

The travel agency is responsible for assessing the quality of its own operations. Thus, the audits should be performed immediately after the quality control procedures have been performed and the audit reports made available to the contracting officer or the COR in a timely manner. The Army has several alternatives for financing these audits:<sup>8</sup>

- Budget, contract, and pay for the audits directly
- Seek legislative relief to allow application of official concession fees to cover the costs of the audits
- Require the travel agency to reimburse the Army for the costs of auditing
- Require the travel agency to reimburse the Army for the costs of auditing if results show errors in excess of some amount
- Require the travel agency to retain the independent auditors subject to Army review of and concurrence with auditing techniques.<sup>9</sup>

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<sup>8</sup>Costs associated with auditing range from \$1.50 to \$2.00 per ticket for domestic flights and \$3.00 and up per ticket for international flights.

<sup>9</sup>The Army might choose to maintain a list of qualified auditing firms in a manner similar to its review of CRSs.

Whichever alternative it selects, the Army will bear the costs of auditing either directly or indirectly in the form of slightly lower concession fees. Nevertheless, the benefits of auditing, in terms of cost avoidance, reduced oversight, and objective evaluation of travel agency performance, far outweigh any reasonable costs.

**Staffing.** The RFP should not specify the number of reservationists the travel agency must provide as a function of dollar volume of sales. The level of service responsiveness is a function of the experience and expertise of the individual reservationist more so than the number of people doing the job. Obviously, too few staff members will result in a lower level of service. However, the Army should concentrate on the level of service, not the number of employees. Staffing is addressed in more depth in a subsequent discussion of the technical factors affecting selection criteria in the "Source Selection Plan" section.

**Automation.** The RFP should require offerors to specify the CRS that they plan to use at each site; multiple systems should be used at high-volume sites. In all cases, the Army should specify use of the most capable systems, such as those offering direct and total/multiple access and other refinements. It should also provide criteria for selection of backup systems. Multiple backup systems, rather than a single contract-wide backup system, may be required depending on the nature of the airline traffic at a particular site. The system or systems at a location served by a hub airport, for example, should be the same as those used by the major carrier or carriers. For sites with a high volume of international traffic, a system with outstanding international capabilities should be used. Since direct transfer of records from one CRS to another is seldom possible, the RFP should require offerors to provide methodologies to coordinate service and data collection between and among systems and sites.<sup>10</sup> The RFP should also require the production of a copy of each Passenger Name Record for audit purposes. This copy, on microfiche or electronic medium, provides a permanent record of the reservationist's actions regarding the Passenger Name Record.

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<sup>10</sup>Transfers from one travel agency to another using the same system require the specific agreement of both parties and the system vendor.

**Management Reporting.** In the private sector, corporate travel managers frequently need situation-specific reports from their travel agencies. This need is one of the major factors that led private-sector firms to consolidate their business with one or a small number of travel agencies. Travel agencies expect to be asked for this type of service. The Army needs to expand its use of travel information at all levels of management. As a first step, the RFP should require that the successful bidder be able to produce a variety of management reports, some on a routine basis and others as needed.

**Subcontracting.** Commercial travel services contracts offer substantial opportunity for subcontracting. As such, the Army should view subcontracting as an objective in the Statement of Work. The successful offeror should be considered as both a travel services contractor and a subcontract administrator. Subcontracting is discussed further in the "Technical Factors" subsection in the section "Source Selection Plan."

**Concession Fees.** A statement that the Army seeks concession fees on its official travel needs to be included in the generic RFP. We believe that this concession fee should be based solely on total air sales (not on ancillary services such as rental cars, accommodations, and the like) for ease of accounting and auditing and to allow the offerors to anticipate revenues from other sources in arriving at the amount of the concession fee. That requirement also needs to be included in the generic RFP. Concession fees are also discussed further in the subsection "Business Factors" in the section "Source Selection Plan."

**Leisure Travel Marketing.** Numerous field visits to Army travel offices clearly show that the Army's unofficial travel market has been largely unexploited to date. One of the key responsibilities of a commercial travel office should be to fully develop that market, thereby increasing service to members of the Army community and revenues to the MWR accounts. Hence, aggressive leisure travel marketing should be a Statement of Work requirement.

**Format of Requests for Proposals.** The Army should also adopt the following formatting practices for the RFP and offeror's proposals to make evaluation simpler and more straightforward:

- Acceptable/nonacceptable requirements
- Tabular responses

- Alignment of technical requirements
- Structure
- Response size
- Technical exhibits
  - ▶ Market size data
  - ▶ Facilities information
  - ▶ Reporting and itinerary requirements.

**Acceptable/Nonacceptable Requirements.** Some requirements in the RFP are straightforward and nonnegotiable, such as specific Statement of Work line items that do not offer opportunities for differing approaches. Such requirements as the ability to make reservations for commercial transportation, accommodations, and rental cars do not require proposal response or evaluation in depth unless the offeror intends to exceed the requirement in some unique way. A simple commitment to meet those requirements is adequate.

**Tabular Responses.** Some requirements of the RFP can be easily presented in tables, particularly those requesting site-specific information or data. The Army should prepare a basic format for that information and require offerors to use it. This will reduce the size of proposals and simplify the evaluation process since all proposals will contain the same type of information in identical formats.

**Submission of Technical Proposals.** Since most of the travel services provided by the offerors will not differ for official and unofficial travel, proposals should not be divided along those lines. Offerors should be required to identify the areas in their proposals that are applicable only to a particular portion of the Army's commercial travel services program. That identification will simplify proposal writing and evaluation and contract administration.

**Structure.** Evaluation plans should be prepared in a format matching the RFP evaluation criteria. Details on the evaluation are presented in subsequent subsections of this chapter. The RFP and source selection plan should complement each other.

**Response Size.** In order to narrow the focus of the proposals and speed the evaluation, the Army should impose a limit on the number of pages in an offeror's proposal.

**Technical Exhibits.** Each RFP should include the following technical exhibits:

- Market size data for each site
- Facilities information for each office
- Reporting/itinerary requirements.

RFPs containing accurate and complete market size data provide offerors with the information required to prepare a comprehensive and responsive proposal. The market size data exhibits should include a brief narrative introduction to the commands serviced by each office and their general and specific travel needs. Information on the historical amounts of official and unofficial travel should be included as well as data on the population of various categories of leisure travel customers. Table 4-2 shows the minimum travel data that should be provided and Table 4-3 shows the population data requirements.

**TABLE 4-2**  
**ANNUAL SITE TRAVEL DATA**

Service	Number of Reservations	Dollar Value
Transportation		
Commercial air		
Domestic		
International		
Total		
Bus		
Rail		
Water		
Accommodations		
Rental cars		

TABLE 4-3

SITE POPULATION DATA

Full-time military:	_____
Full-time civilians:	_____
Dependents:	_____
Retirees in area:	_____
Travelers processed not stationed at installation:	_____

Site facility information presented in the RFP (such as basic procedures, requirements, leadtimes, and points of contact at each site necessary to propose modifications to facilities and communications lines) should be in a standardized format. We suggest the U.S. Army Corps of Engineers be requested to assist in gathering those data and providing the format for their presentation.

All reporting and itinerary requirements should be presented in technical exhibits, not in the body of the RFP. Furthermore, to accommodate all the anticipated changes in those requirements over the life of the contract, the contract should be structured to permit those changes.

**Source Selection Plan**

The objective of contracting for commercial travel services is to provide quality, economical, state-of-the-art travel support to members of the Army community. The objective of the source selection process must therefore be to award a contract to the most responsive and responsible offeror providing the greatest value to the Army in terms of performance and other factors.

The process must be carried out impartially, equitably, and comprehensively. In this section, we address selection criteria, the Source Selection Evaluation Board, and other source selection issues. As with RFP preparation, the program manager needs to develop and maintain a generic source selection plan that can be adapted to the needs of each travel services acquisition.

**Selection Criteria.** Our suggestions for strengthening and improving the Army's selection criteria for official travel services address acceptable/nonacceptable

criteria; technical, business, and financial factors; and a variety of specific evaluation issues relating to those three factors.

**Acceptable/Nonacceptable Criteria.** As noted in the discussions of the RFP, some criteria can be evaluated as either meeting or failing to meet the Army's requirements and are not subject to meaningful differences in approach or acceptability. The Army should segregate those criteria, where possible, and not require detailed responses from offerors. Examples include requirements for selling airline tickets, making hotel and rental car reservations, issuing boarding passes, and maximum wait times. In some instances, criteria should only be evaluated for total acceptability but will require a detailed response (such as financial responsibility of the offeror). Evaluation of acceptable/nonacceptable criteria should be accomplished by the contracting officer with the advice of the Chairperson, Source Selection Evaluation Board, as assisted by the chairpersons of the Board's committees.

**Technical Factors.** The technical approach may vary among the offerors of travel services in four areas: operations, quality control/assessment, staffing, and automation. Table 4-4 summarizes those factors, their importance, and corresponding subfactors. The discussion here highlights those areas in which they differ significantly from the approach followed by the Army to date.

The subfactors for *operations* listed in Table 4-4 are self-explanatory with the following exceptions:

- **Travel Regulations** – Travel services proposals must demonstrate the offeror's understanding of Army travel regulations; they must also describe a procedure for training agency employees on those regulations and a method of applying the regulations in daily operations. The Army needs to establish policy on the role of the travel agency as an enforcer of, or advisor on, official travel regulations. (Does the travel agency refuse to issue tickets that are not in compliance? When does it seek ITO advice?)
- **Transition** – Transition to a subsequent contractor is as important as the transition from an incumbent at the start of contract performance. Moreover, the only leverage the Government has on a contractor at the time of transition to a subsequent contractor is the threat of unfavorable evaluation in future solicitations. Strong contractor commitment to provide such transition assistance at contract termination must be incorporated into the travel services contract.

- *Discounts* – The ability of the travel agency to negotiate its own discount program with travel vendors is more applicable to unofficial travel than to official travel. At least for the near term, Government discounts will seldom be exceeded by agency-arranged discounts. The ability of a travel agency to negotiate low corporate/official rates is therefore an inappropriate selection criteria for the Army. Discount programs should be evaluated primarily for leisure travel.

TABLE 4-4

SELECTION CRITERIA – TECHNICAL FACTORS

Factors	Importance	Subfactors
Operations	Critical	Day-to-day operating procedures Ability to apply travel regulations Transition at start and termination Mobilization/emergencies Expansion Service at low-volume sites Peak travel periods Discounts negotiated by agency After-hours service, toll-free phone Other
Quality control/ assessment	Very important	Quality control plan Independent audit Guarantee of service and price Other
Staffing	Critical	Job descriptions Training Staffing levels and thresholds
Automation	Important	Primary/backup systems Last-seat capability (by site) International capability Statistical passenger data collection Management reporting Reporting flexibility Automated reconciliation Equipment and training provided to Army Tracking of frequent flier mileage Enhancements



Insofar as *quality control/assessment* is concerned, the burden of assessing and ensuring travel agency performance must rest primarily with the travel agency and its quality control program. The objective of the Army's quality assurance program should be twofold: (1) to verify that the travel agency's quality control program is being successfully carried out and (2) to determine underlying performance deficiencies. Both may be accomplished in large part through review of quality control reports. If a travel agency's quality control program is found (or thought) to be less than satisfactory, the Army may have to increase its surveillance of both travel services operations and quality control. Given these quality control and quality assurance program guidelines, the evaluation of the travel agency's quality control program should be based on several specific factors: detection and correction of errors, documentation of review and results, detection of trends, preventive actions, and resolution of complaints. Evaluation should also be based on whether that program permits Army verification of the effectiveness of travel agency quality control, rather than of its operations. A third element of quality assessment, independent auditing, is discussed in the subsection "RFP Requirements/Statement of Work Changes."

As stated earlier, Fifth U.S. Army's region agency staffing requirement of one reservationist for a specified sales volume is inappropriate. Staffing is a process (how to do business) rather than an output (what is required) criterion. However, we recognize that staffing needs to be evaluated during source selection. We suggest three considerations. First, the most important elements in an agency's staffing plan are workload division among specialists and the qualifications (training and experience) of those specialists. As a minimum, separate leisure travel agents should be provided for all large installations. Where volume warrants, international travel specialists might be available on site or at a central reservation office. The agency may also choose to have dedicated individuals make hotel/motel reservations. Second, staffing levels of themselves are not vital so long as specified service levels are met. If staffing levels are considered, each type of job description should have its own. The Army should consider the agency's past experience, not industry averages, in evaluating staffing levels. The Army should seek out industry leaders, not average performers. If a travel agency serves its corporate clients with one agent per \$750,000 to \$1,000,000 in sales, it should be able to serve

official Army travel at the same level. However, staffing thresholds tied to dollar sales are improper since they are subject to fluctuations in fares as well as workloads. The Army should emphasize results (such as wait times and accuracy), not how many people it takes to achieve them. Third, the Army should not have preconceived criteria for evaluating staffing plans. Each travel agency's approach may be different but still workable in terms of its operating practices.

With respect to *automation*, we have noted previously that the issue of specific CRS capabilities is distinct from commercial travel office acquisitions and should not be part of the selection process. The subfactors presented in Table 4-4 identify how potential contractors propose to employ those systems.

**Business Factors.** The business approach contains four areas that, we believe, may vary among offerors of travel services and, therefore, should be evaluated: experience and references, subcontracting, facilities, and organization. Table 4-5 summarizes these factors, their importance, and corresponding subfactors. As with technical factors, the discussion here highlights those areas that require a change in approach or emphasis.

*Experience and references* are the most significant predictors of an offeror's ability to provide travel services for the Army.<sup>11</sup> The Army is similar to large private-sector organizations in its need for travel policy, discounts, and management reporting. As a result, the offeror's prior Government experience should not be evaluated separately from its corporate experience; it should be considered as an additional element of experience in general. An offeror's experience in providing leisure travel services is also of importance. Since experience and references indicate an offeror's ability to deliver on promises made in a proposal, we suggest they be weighted highly in the evaluation process. Once a competitive range has been established for experience, we suggest the Army check other similar accounts of the various offerors. To accommodate that requirement, the RFP should require the travel agency to

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<sup>11</sup>Previous acquisitions have used offerors' professional affiliations as a selection criterion. We have found no affiliations in or with any travel industry association other than the mandatory Airline Reporting Corporation and International Air Transport Association appointments, that reflect on a travel agency's abilities. We suggest this category be dropped as an evaluation criterion.

**TABLE 4-5**  
**SELECTION CRITERIA - BUSINESS FACTORS**

Factors	Importance	Subfactors
Experience and references	Critical	Commercial and Government experience Leisure travel experience Reference checks
Subcontracting	Very important	Goals Experience Controls Realism of approach Other
Facilities	Of concern	Realism of utilization plan Upgrades Telephone systems Other
Organization	Very important	Overall management Contract management Quality control independence Support organization Other

provide (1) a list of all accounts (not just those of satisfied customers) in a certain size range and (2) the name and location of every account of \$1 million or larger that has been lost by the agency. The Army may find it advantageous to visit some of those clients. As the evaluation process continues from initial evaluation to final selection, the Army should increase the depth of reference checking.

The role of *subcontracting* in the Army's source selection criteria needs to be expanded. The Army can use subcontracted portions of travel services contracts to offset other acquisitions that cannot meet goals established for small/disadvantaged business utilization. As such, the offerors' proposed subcontracting plans should be given strong weight in the evaluation/selection process. Goals for subcontracting should be established and offerors'

experience, controls over subcontractors, and realism of approach should be evaluated. We suggest that subcontracting to small/disadvantaged businesses be weighted at least 10 percent in the evaluation.

Modifying and upgrading *facilities* is an area in which the Army differs most from the private sector, particularly in regard to the number of people, organizations, and procedures involved. While that statement is true for all aspects of facilities, it is particularly notable with communications lines. The U.S. Army Corps of Engineers should be requested to assist in gathering information on existing facilities and modification procedures at each site so that such information can be communicated to the offerors. How the offerors propose to overcome obstacles and make the best use of facilities are criteria that need to be evaluated in the selection process.

Insofar as the offeror's *organization* is concerned, the evaluation approach followed by the Army in earlier acquisitions does not need to be substantially modified.

**Financial Factors.** We believe there are two factors in the financial approach that may vary among offerors and should be evaluated. They are concession fees and leisure travel marketing. Table 4-6 summarizes these factors, their importance, and corresponding subfactors. As with technical and business factors, the discussion highlights those areas in which the evaluation approach used in earlier acquisitions should be modified.

The Army should evaluate *concession fees* both on their magnitude and their realism. Concession fee levels for official and unofficial travel need to be arrived at independently. Official travel makes extensive use of discounted fares, generating somewhat lower revenues per transaction for the travel agency, but each transaction typically involves little time (and therefore cost). Unofficial travel, on the other hand, is more variable, generating small revenues on such things as supersaver fares but very high revenues on tour packages and cruises. The time involved for each transaction can vary, and the customer might choose not to travel at all. Thus, it is not possible to state that one type of travel is more or less profitable to a travel agency, only that they are different. In evaluating concession fee proposals, offers should be reviewed in terms of the expected costs and revenues for both official and unofficial

**TABLE 4-6**  
**SELECTION CRITERIA - FINANCIAL FACTORS**

Factors	Importance	Subfactors
Concession fees	Of concern	Size Realism Controls Methods of accounting
Leisure travel marketing	Of concern	Plan Dedicated personnel Special tours, etc. Other

travel. If either is unprofitable for an agency, degraded service can be expected.

The realism of official and unofficial travel concession fees may be evaluated by examining three areas.<sup>12</sup> The first is prior Army, Government, and industry experience with concession fees for similar (exclusive market and rent free) contracts. The second is the amounts proposed by other offerors. Extremely high or low offers should be rejected unless the offerors can justify them during negotiations. The third is the relative size of the official and unofficial travel concession fees. Knowledgeable travel industry authorities indicate that neither type of travel is more profitable than the other. Thus, obviously unequal offers for official and unofficial concession fees should be viewed skeptically. Unrealistically high unofficial travel concession fees could generate minimal or no profit for the agency and would justify an assumption that the offeror intends to deemphasize unofficial travel, resulting in low volume and revenue to MWR accounts.

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<sup>12</sup>As provided in Federal Acquisition Regulation, Part 15; Subpart 15.6, "Source Selection"; Paragraph 15.603, "Purpose," source selection procedures are designed to accomplish four goals. One of these is to "... (d) Ensure selection of the source whose proposal has the highest degree of realism. ..." Concession fee realism can be compared to cost realism, which is addressed in the same subpart in Paragraph 15.605, "Evaluation Factors."

Although USAREUR established a floor for unofficial travel concession fees, the Army should not follow that practice in subsequent solicitations for either official or unofficial travel. We believe that market conditions and inherent agency productivity should and will dictate the size of the concession fee offered.

The Army's *leisure travel market* has been relatively unexploited to date. The potential revenues of any unofficial concession fee proposal are a function of both the concession fee percentage and the volume of leisure travel. That volume is influenced by the travel agency, either by aggressive marketing and the provision of quality service or by neglecting leisure travel and thereby not achieving its potential. A comprehensive marketing plan is needed to increase convenience for members of the Army community and to improve market share, thereby generating additional revenues.

**Source Selection Evaluation Board.** The most critical element in the source selection process is the expertise of the members of the Source Selection Evaluation Board. The travel agency industry is extremely complex; many of its practices are not open to public view. The industry is also changing rapidly. Unfortunately, the pool of Army expertise in the technical issues of travel services is very small. It is vital that these people be identified and made available to serve on Source Selection Evaluation Boards.

There is no comprehensive Army program for training evaluation board members in the source selection process. This is true not only in travel services, but throughout the Army. As a result, much time and effort is devoted to familiarizing members with the process and the specific RFP. This is done early in the evaluation process and adds up to a week (while members are on per diem) for the evaluation effort. The Army should develop a short course – using traveling instructors or video tape – to reduce this time period or to allow training of the evaluators at their parent installations prior to travel. Other acquisition efforts would also benefit from such source selection training.

We suggest that the Source Selection Evaluation Board be divided into three committees – Technical, Business, and Financial – and five subcommittees. Table 4-7 summarizes our suggested committee/subcommittee responsibilities and Table 4-8 lists their assignments.

TABLE 4-7

**SOURCE SELECTION EVALUATION BOARD STRUCTURE  
AND RESPONSIBILITIES**

Committee	Subcommittee	Factors evaluated
Technical	Travel	Operations Staffing Quality control/assessment
	Automation	Automation
Business	General business	Organization Subcontracting Facilities
	Experience	Experience/references
Financial	Financial	Concession fees Leisure marketing

**Other Source Selection Issues.** Other source selection issues crucial to the effectiveness of the selection process are scoring, double counting, and budgeting. They are discussed below.

**Scoring.** The Source Selection Evaluation Board used numerical scoring to evaluate offers for the Fifth U.S. Army region contract. Each offer contained three separate proposals – technical, business, and concession fee. Each proposal was subdivided into factors and subfactors and each subfactor was scored from 0 to 100. The subfactor results were combined into a single score for each factor, using a weighted formula. The factor results were similarly combined into a single score for each proposal. Finally, the three proposals were combined into a single score for each offeror.

We suggest the Army eliminate numerical scoring on the subfactor level and use adjectival ratings instead. Mathematically combining subfactor scores to arrive at factor results can cause significant problems. First, distinct differences between offerors in one area may be masked by relatively minor differences in more strongly weighted areas. Second, numerical scoring of subfactors can lead to unjustifiable precision (in the Fifth U.S. Army region

TABLE 4-8

**SOURCE SELECTION EVALUATION BOARD  
COMMITTEE/SUBCOMMITTEE ASSIGNMENTS**

Source Selection Evaluation Board Chairperson - Army Program Manager, Commercial Travel Services				
Technical Committee Chairperson - Former Travel Agent		Business Committee Chairperson - Deputy Program Manager		
Travel Subcommittee Chairperson - Technical Committee Chair	Automation Subcommittee Chairperson - Senior Member	General Business Subcommittee Chairperson - Business Committee Chair	Experience Subcommittee Chairperson - as available	Financial Committee Chairperson - MACOM Community and Family Services Specialist
Members ITO MWR specialist Quality assurance specialist Travel management specialist	Members One or two automation experts	Members Contracting specialist Management analyst Facilities manager MACOM/MWR specialist	Members Two part-time members of other subcommittees	Members Installation MWR specialist Cost/price auditor



evaluation some subfactors were even awarded fractional points on a scale of 0 to 100). Third, numerical scoring is inflexible and does not allow proper consideration of unique approaches outside expected criteria. These difficulties should be overcome by using adjectival ratings on the subfactor level.

The Army should not combine factor scores (operations, quality control, organization, etc.) into single scores for technical, business, and concession fee proposals, or combine proposal scores into a single offeror score. The Source Selection Authority requires information on those dissimilar categories to make an informed decision.

While numerical scoring on the factor and proposal levels may be justifiable, we suggest that adjectival rating followed by ranking at both levels is equally acceptable and more objective. The board should rank each offer by factor and assign descriptions to each ranking, as described below:

- Significantly better (than next best) — a large gap exists between two ranks
- Better — a gap exists
- Slightly better — a small but discernible gap exists
- Comparable — no gap exists or the gap is of minimal significance.

The Army should avoid weighting proposals from offerors with superior writing skills over those who submit similar or better proposals but with less impressive presentations. This is best illustrated by a recent article in *Travel Weekly*, in which an attorney assisting travel agencies in proposal preparation advises respondents to "outwrite the competition," including "tricks to make it appear that you [the travel agency] can be fully responsive."<sup>13</sup>

**Double Counting.** The categories of criteria are not mutually exclusive. Some proposal elements are likely to appear in more than one section of the proposal. The Army should be careful to ensure that such elements are not given excess weight. The Source Selection Evaluation Board Chairperson should review the work of all the committees/subcommittees to ensure that proposal elements are

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<sup>13</sup>"Government Bidding: Why Winners Win," *Travel Weekly*, Vol 47, No. 72, N.Y.: News America Publishing, Inc., p. 32.

only evaluated once, and if necessary, determine which subcommittee will evaluate a particular element.

**Budgeting.** Even with the streamlined process we advocate, the source selection process can be lengthy and costly. To ensure that knowledgeable people serve on Source Selection Evaluation Boards, the Army needs to budget funds in advance.

## **CHAPTER 5**

### **RELATED ISSUES**

One of the biggest challenges facing the Army in launching its commercial travel services program is designing that program to adapt to changing requirements, environment, and technology. To do so, the Army must continually review the program's objective, oversight mechanism, policies, and procedures and refine them to accommodate the anticipated changes to, and growth of, the travel services industry.

This chapter presents and discusses several initiatives for keeping the Army's commercial travel services program dynamic and responsive to the needs of the Army community.

#### **GOVERNMENT CHARGE SYSTEM**

The Government charge system (currently available to all Federal Agencies under a GSA contract with Diners Club) offers numerous advantages to both the Army and the individual traveler for payment of all official travel expenses. This system provides both "agency" and "individual" accounts; agency accounts may be used to charge all official travel expenses, including airline tickets, while individual charge card accounts may be used by the official traveler to charge only incidental expenses, not major transportation fares. Appendix E describes the features of this system and lists the benefits provided. The following are some of the highlights of this system:

- All accounts (agency and individual) are issued at no cost to either the Army or the individual.
- Individual accounts are renewed automatically each year unless a card is canceled.
- Individuals are responsible for making their own payments, but they receive free travel accident insurance, lost or stolen baggage insurance, and check cashing and emergency cash advance privileges and are not liable for lost or stolen cards.

- The charge company provides detailed management information reporting to each participating agency.
- Use of the individual charge card substantially reduces the amount of cash advances to the official traveler.
- The current charge card is accepted worldwide by all major carriers and at more than 800,000 retail establishments.

The general procedure for charging and billing official travel is straightforward. Each month the agency (that is, the activity funding the travel) account is centrally billed, as previously established between the ITO and the charge company in coordination with the travel office. The travel office is authorized to charge all fares booked against the funding activity's account. It forwards those consolidated charges to the charge company, which pays all bills. The charge company then delivers to the ITO a monthly statement for automated reconciliation by the travel office and authorization for payment. Finally, the ITO forwards this statement to a finance and accounting office for payment.

At some locations this procedure is not fully automated and the ITO must compare and certify the entries in the charge company billing for each funding activity. At larger installations, the certification process can be time-consuming and error-prone. Nevertheless, receiving one bill has a distinct advantage over receiving separate bills from each provider of travel services.

We examined two possible alternatives to the use of the Government charge system. One alternative was to revert to the previous method of paying individual bills. However, the inconvenience of that method, along with the lack of management information reporting, renders it distinctly inferior. The second alternative was for the Army to essentially duplicate, in-house, the services provided by the charge company. However, such duplication would be costly, untimely, and risky. Also, it is doubtful that the Army would receive the equivalent of the discount fee that the charge company (currently Diners Club) receives from the travel services providers. Such a discount would be essential in offsetting the added in-house costs. In addition, the Army would have to devise and implement a substantial management information reporting system to replace the company's system.

Hotel and rental car companies are normally paid by the traveler's individual charge card; the traveler is responsible for paying the charge company and is subsequently reimbursed by the Army. Airlines, however, are usually paid by

means of a GTR if the agency account is not used to pay airline fares. Processing GTRs may delay payment to the airlines by as much as 2 to 3 months, with accompanying higher administrative costs to the Army. By accepting the Government charge system, the airlines reduce the float they carry, thus offsetting most, if not all, of the fees paid to the charge company. By simplifying the payment process and reducing administrative costs, the Army offsets, at least in part, any increase in vendor rates.

We could not identify any direct costs to the Army for using the Government charge system. It might be argued that the discount fee charged to the travel services vendors by Diners Club has been passed on to the Army by those vendors in the form of increased rates. However, we found no evidence to support that argument.

We conclude, therefore, that it is in the Army's best interest not merely to continue its use of the Government charge system but to expand that use to all commands and installations served by contracted commercial travel services offices.

## **AUTOMATION TECHNOLOGY**

Advances in automation technology, particularly in the areas of travel planning and audit, customer accessibility to travel vendors' databases, and streamlined accounting and payment procedures, will be the long-term determinants for how the Army structures, acquires, and manages its travel services support. Positioning the Army today to take advantage of the technology enhancements of tomorrow should not be separated from, and is equal in importance to, establishment of the program's objective, oversight, and process.

Travel industry automation today includes sophisticated electronic ticketing and reservations systems; preticketing and postticketing audit capabilities; remote itinerary, boarding pass, and ticket printing devices; travel planning systems; tailorable management reporting; and a variety of databases designed to serve the needs of the customer and the travel industry alike. These tools, with enhancements being applied on almost a daily basis, serve their users well. In fact, without them the industry could not function with any degree of efficiency in that the sheer quantity of airline fare and schedule changes alone would overwhelm customers, travel agents, and airline reservations personnel.

However, bigger, faster, and more comprehensive systems are not just on the horizon; some are already here. Travel managers can automatically monitor daily fare and schedule changes to find lower fares for ticketed airline reservations booked for corporate travelers. That monitoring can be tailored to accommodate a variety of corporate travel policies. Lower fares may be obtained through automatic rebooking on the same flight or by new ticketing on alternative flights meeting the traveler's schedule requirements. Most important, automatic monitoring permits rechecking those fares several times daily from the time the reservation is booked until the onset of travel.

While that capability is currently available to any travel manager, at many installations the Army does not have the requisite infrastructure and personnel expertise to exploit these advantages. Thus, early recognition of this service and all other pending enhancements will permit the Army to structure its contracting procedures and conditions, its program management infrastructure, and its travel policies to accommodate the changes that the enhancements will demand. The key initial steps are as follows:

- Designing sufficient flexibility into the contracting process and provisions to permit adjustments to take advantage of automation advances as they emerge
- Avoiding lengthy (i.e., beyond 2-base years) contracts with commercial travel firms
- Asking the designated program manager to stay abreast of travel industry automation and travel-related accounting, auditing, planning, and operating systems
- Maintaining open lines of communication among vendors, contractors, contracting officers, CORs, and professional associations whose memberships comprise travel industry, corporate travel department, and Government travel management personnel.

## **MANAGEMENT REPORTS**

Reports currently used by the Army to assist in travel program management provide the aggregated data necessary to successfully negotiate discounts. They are

not, however, particularly useful for the variety of other purposes they need to serve, among which are the following:

- Facilitating travel policy enforcement
- Evaluating policy changes
- Providing feedback to travel-sponsoring activities.

The reports provided to the lowest levels of Army travel management must be in a form that accommodates policy enforcement. As currently formatted, the reports list every individual passenger trip routing, thereby camouflaging essential information. The thousands of transactions listed in these reports are of little value in determining policy compliance. As a consequence, the format of these reports should be changed as follows:

- Display transactions complying with policy in an aggregated format
- Report exceptions to policy by type and sort them by magnitude and parent organization
- Highlight gross violations so as to render them readily identifiable and easy to act upon.

Management reports should also serve the Army as tools in the development and evaluation of policy changes. For example, currently captured airline fare data reflect only the fare used and the quoted full-fare coach price. Since most air travel customers obtain discounts of some sort, the full-fare reference serves little purpose in determining real savings. To adequately assess savings, applicable (that is, meeting mission requirements) lower fare data must be captured. Those data would permit the Army to evaluate policy alternatives, such as the desirability of accepting fares with restrictions or penalties. In addition, such data are necessary for evaluating contractor proficiency in obtaining low fares.

Management reports configured to meet the information needs of commands or activities sponsoring official travel would ensure that information pertaining to travel funds expended through the commercial travel offices would be provided to sponsoring commands or activities in a format useful for management and control purposes.

In addition, the travel agency must be able to tailor management reports to meet specific information requirements. Private-sector corporations with

established travel departments frequently find it necessary to generate "first time" or "once only" reports to meet operating or management requirements. They view such reports as a vital element of their travel programs. The travel management reporting procedures serving the Army need to be similarly flexible.

## **POLICY COMMUNICATION**

The dramatic and rapid transition of Army travel services support from the SATO environment to competitively acquired commercial travel offices, along with attendant policy and procedure changes, is certain to be misunderstood by many and unrecognized by others. In addition, few Army travelers are familiar with the details of carrier, hotel/motel, or rental car options and the policies pertaining to their use.

To assist in educating the Army community and to serve as a convenient reference, the Army should issue a pamphlet or wallet-size card containing user-essential travel program information. As a minimum, the pamphlet or card should contain information on such topics as official and leisure travel services and how to obtain them; airline, rental car, and accommodations usage procedures; traveler responsibilities; quality-of-service standards; and use of Government fares and discounts.

## **AUTOMATION OF THE GSA FEDERAL TRAVEL DIRECTORY**

Most travel agencies rely primarily on their CRSs to conduct daily business; the telephone serves mainly to supplement those systems. While the system emphasizes airline reservations, agencies use CRSs as much as possible for hotel/motel and rental car reservations.

To make the discounts in the *GSA Federal Travel Directory* accessible to the travel arranger and available to the Army traveler, MTMC should provide that document to Army ITOs and travel services contractors in an online, disk, or tape format. Since it is easier and faster to retrieve computerized information than it is to research comparable information in a book, the hotel/motel and rental car chains whose data are embedded in airlines' computer systems obviously receive preferential booking treatment. The Army needs to correct that bias by automating the *GSA Federal Travel Directory*.



## TRAINING WITH INDUSTRY

The SATO organization has met the Army's travel services needs for the past four decades. Now, rather abruptly, the Army finds itself in the position of having to competitively procure those services from an industry with which it has almost no experience and about which it knows little. Additionally, the travel industry offers little standardization and operates without public regulation.

The Army's knowledge and experience is increasing rapidly, but only among a select few engaged in the recent acquisitions of travel services and oversight of the resulting contracts. To assist in increasing travel-service-related experience and knowledge, the Army should expand its use of the "Training with Industry" program.<sup>1</sup> If selected military and civilian personnel were to serve 3- to 6-month tours of duty with participating travel agencies at the corporate and individual agency levels or with corporate travel departments, they would gain valuable experience that would benefit them and the Army throughout the balance of their careers.

The Training with Industry program has been successful in other areas (e.g., railroads personal property moving and storage, ocean carriers) and could readily be expanded to accommodate the travel services industry.

## INCENTIVES TO MARKET LEISURE TRAVEL

The unofficial travel market within the Army community has been relatively unexploited. Since Army personnel received official travel services support from the SATO, unofficial travel in conjunction with an official trip was readily accommodated. Purely unofficial travel, however, has often been arranged either through the services of an ITR office or a local travel agency, or directly with some other entity such as a tour agency, automobile club, or an airline.

The Army's competitive acquisition of travel services support is expected to radically change the unofficial, or leisure, travel environment. High rates of growth are possible for a travel agency actively seeking and servicing leisure travel. Indeed,

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<sup>1</sup>The Army's Training with Industry program is governed by Army Regulation 621-1, *Training of Military Personnel at Civilian Institutions*, Oct 1985. Training opportunities are primarily in procurement, logistics management, communications-electronics, and computer science and consist of 1 year of training followed by a 3-year utilization tour.

evidence of such growth has already been seen in other Federal Agencies that have implemented commercial travel offices.

Such growth is certainly desirable, both from the standpoint of meeting the leisure travel needs of the Army community and revenue incentives for the contractor providing the services. To ensure that its commercial travel offices aggressively market leisure travel, the Army should adopt an incentive fee structure for unofficial travel. An example of such a fee structure is presented in Table 5-1.

TABLE 5-1  
LEISURE MARKETING FEE INCENTIVE STRUCTURE  
(Example)

Volume	Concession fee
Up to 120% of prior year's volume	Base rate (contractor proposes)
121% - 150% of prior year's volume	Base rate on first 120%; 1% less thereafter
151% plus of prior year's volume	Base rate on first 120%; base rate less 1% on volume from 121% - 150%; base rate less 2% on volume exceeding 150%

In presenting this structure, we assume that the commercial travel office's marketing costs are primarily related to searching out and attracting new customers, rather than to retaining existing or current customers. Therefore, any incentive should be based on continuing growth of the market, rather than on any present threshold.

By basing all thresholds on the previous year's performance, the contractor must work to expand volume in the outyears in order to continue receiving incentives. The threshold levels and concession fee incentive reductions can be changed or adjusted as necessary.

## RENTAL CARS

Rental car costs constitute a significant portion of the Army's travel budget, accounting DoD-wide for approximately \$250 million annually. Since November 1986, MTMC has been administering and overseeing the Federal Government's car rental agreement program. Prior to that time, GSA had the

responsibility. Rental car companies sign open-end agreements to provide reduced rates to official Government travelers. Removal from the program or an increase in rates requires MTMC be notified 30 days prior to such action.

Each rental car company participating in the program establishes its own rates. ITOs advise the Army community of these rates via a variety of media. Commercial travel offices are obligated to place rental car reservations with the company or companies offering the lowest rates. In the event that the type vehicle required is not available from the lowest cost company, the reservation can be made with the next higher cost company.

MTMC's evaluation of the current system is that it works well, is simple, and offers considerable flexibility. That evaluation is not contested. We maintain, however, that significant additional savings in car rental costs can be realized in the following ways:

- Limiting rental car reimbursements to the lowest discount rate for an "on-airport" rental car company (lower priced "off-airport" rentals could still be used)
- Entering into a preferred vendor agreement (guaranteed business in return for a lower rate) with one or more of the national car rental chains.

In view of DoD's substantial annual cost for car rentals, a reduction of only a few dollars on each rental would result in considerable savings. We suggest such a program be investigated in conjunction with the Army's competitive acquisition of travel services.

#### **ARMY ACQUISITION OF CONSOLIDATED DATA**

Data format and flow differ among the CRSs used by the travel industry. As a result, the Army will find it difficult to capture, consolidate, standardize, and summarize the anticipated variety of contractors' data in a manner beneficial to its oversight and program management needs.

The Army should consider developing and employing its own data collection capability once several regions are being served by commercial travel services contractors. Retention of a minimum 13 months data, to permit recapitulating a full year of operation, should be considered a requirement.

## CHAPTER 6

### THE NEXT STEPS

In the preceding chapters of this report, we specify the actions the Army needs to take to continue and ensure the success of its commercial travel services program. This chapter proposes a framework within which the Army can expand its travel services program to encompass the remainder of the CONUS, Hawaii, Alaska, and overseas areas. Because the undertaking is ambitious, it is important to bear the following points in mind:

- All the Military Departments and most other Federal Agencies are also responding to the congressional mandate.
- The travel services industry needs time to expand and adjust to accommodating contracts that will be among the largest they have ever undertaken.
- Army attempts to acquire travel services contractors too quickly are likely to result in less than quality service from an industry whose capabilities are strained and from Government personnel inadequately trained to oversee service contracts with which they are unfamiliar.

The Army commitment to its commercial travel services program is the essential element that must precede any steps to be taken and issues to be addressed. That commitment entails more than a declaration from the Army's leadership. The newness of the program and the absence of an infrastructure to support it entails some significant costs. Program management office and regional travel management specialist positions need to be authorized, funded, staffed, and administratively supported. Oversight personnel, including contracting officers, ITOs, and CORs, need to be trained in a service heretofore provided without intensive involvement on the part of any Army personnel.

*Army commitment to program support and resourcing should be determined, secured, and promulgated early in the first quarter of FY89.*

Concurrent with its commitment declaration, the Army must initiate several actions to satisfy the three major program elements. Two of those, prescribing a

direction and establishing a program management office, also require immediate action.

## **PROGRAM DIRECTION**

The Army's adoption of a clear direction for its commercial travel services program, in the form of a program objective, will contribute significantly to program success. Such a program objective is needed to provide a sharp focus and eliminate inefficiency.

*A policy memorandum citing the Army's objective for its travel services program should be published early in the first quarter of FY89.*

## **PROGRAM MANAGEMENT**

A key requirement for obtaining travel services contracts successfully and efficiently is to have someone in charge. A program management office is the appropriate mechanism for providing the requisite leadership for any new, large-scale undertaking. The individual appointed as the program manager must be given full responsibility for the program and granted comparable authority to take the actions necessary to meet that responsibility. We consider as pivotal our recommendation that the Army designate and organize a program management office for continuation and expansion of its commercial travel services program.

*An Army Travel Services Program Management Office should be established and activated during the first quarter of FY89.*

## **FOLLOW-ON ACQUISITIONS**

As we recommended in Chapter 4, the Army should continue with the currently designated regional acquisitions on a sequential basis, but should consider dividing large regions into single-state or multistate subregions and make separate awards in those subregions. Offerors should be invited to bid on any or all of the subregions. Such downsizing will accommodate both the Army's current lack of a travel services management infrastructure and the industry's concerns about its ability to expand quickly enough to undertake very large contracts such as those represented by some of the Army regions.

The primary factor in determining regional size is the number of sites (travel services offices) in the region. A secondary factor is geographic dispersion of those

sites. Volume, in terms of revenue (sales) and/or numbers of transactions, is a consideration when first establishing a region, in that it drives staffing; in the long term, volume becomes less significant in that the contractor accommodates volume increases or decreases by adding or deleting staff.

Table 6-1 provides size and revenue information on the five CONUS Army regions. However, in the absence of any prior experience, it is difficult to suggest the best regional size until the Fifth U.S. Army region transition is complete and data for other regions (such as site locations and volume per site) are collected and analyzed. Discussions with travel industry representatives, however, revealed that a contractor can readily serve an area generating \$50 million and comprising about 20 sites. Application of these criteria to future CONUS regional solicitations may require subdividing some of the regions. For example, revenue and number of sites criteria may warrant subdividing the First and Second U.S. Army regions; the Sixth U.S. Army region, while generating only \$47 million annually, may warrant subdividing on the basis of geographic dispersion and number of sites.

**TABLE 6-1**  
**CONUS ARMY REGION SIZE AND REVENUE**

Army region	Number of states	Number of sites <sup>a</sup>	Annual revenue <sup>a</sup> (\$ millions)
1st U.S. Army	13	47	120
2nd U.S. Army	8	28	98
4th U.S. Army	7	19	46
5th U.S. Army	8	41	86
6th U.S. Army	12	35	47

<sup>a</sup> As reported by SATO.

We believe that the Army should initiate a new commercial travel services acquisition within CONUS every 4 to 6 months, so that no more than one region is in the acquisition process while another region is undergoing initial phase-in at any one time. A proposed schedule for the remaining four CONUS regions is provided in Table 6-2.

**TABLE 6-2**  
**PROPOSED FOLLOW-ON ACQUISITION SCHEDULE**

Objective	Region A <sup>a</sup>	Region B <sup>a</sup>	Region C <sup>a</sup>	Region D <sup>a</sup>
Preparation	Oct 88 – Mar 89	Aug 89 – Sep 89	Feb 90 – Mar 90	Jul 90 – Aug 90
SSA <sup>b</sup>	Apr 89 – Jul 89	Oct 89 – Jan 90	Apr 90 – Jun 90	Sep 90 – Nov 90
Transition	Oct 89 – Nov 89	Apr 90 – May 90	Sep 90 – Oct 90	Mar 91 – Apr 91

<sup>a</sup> Includes subregions, if any.

<sup>b</sup> Solicitation, selection, and award.

Non-CONUS areas such as Alaska, Hawaii, and other overseas commands may be competed one at a time concurrently with a CONUS region to accelerate the acquisition process. However, as indicated, we do not recommend competing more than one CONUS region at a time.

## SUMMARY

It is essential that the Army act without delay upon lessons learned from the Fifth U.S. Army region contracting effort and the recommendations and suggestions provided in this report. Undue delay will certainly invite criticism from Defense and congressional oversight elements.

The designation of a program manager and the staffing of a program management office are logical and reasonable ways to address most of the recognized challenges related to implementing a new, competitive program of this magnitude. Upon activation, such an office can undertake the numerous process simplification and standardization requirements discussed in Chapter 4. The successful completion and integration of those requirements into the next regional RFP will significantly enhance that and subsequent acquisition efforts.

In summary, the steps required for the establishment of an economical, efficient, and responsive commercial travel services program are clear – to declare

the Army's commitment to the program and to demonstrate that commitment through the following actions:

- Adopting a program objective
- Designating and establishing a program management office
- Taking the actions necessary to standardize and streamline the commercial travel services acquisition process.



## GLOSSARY

ACOR	=	Administrative Contracting Officer's Representative
AFB	=	Air Force Base
ARC	=	Airline Reporting Corporation
COR	=	Contracting Officer's Representative
CRS	=	Computerized Reservation System
DCSLOG	=	Army Deputy Chief of Staff, Logistics
FORSCOM	=	U.S. Army Forces Command
GAO	=	General Accounting Office
GCS	=	Government Card System
GSA	=	General Services Administration
GTR	=	Government Transportation Request
GTS	=	Government Travel System
ITO	=	Installation Transportation Office(r)
ITR	=	Information, Ticketing and Registration, formerly ITT (Information, Tours and Tickets)
MACOM	=	Major Army Command
MOU	=	Memorandum of Understanding
MTMC	=	Military Traffic Management Command
MWR	=	Morale, Welfare and Recreation
RFP	=	Request for Proposals
SATO	=	Scheduled Airlines Traffic Office
SRSA	=	Sales Report Settlement Authorization
TMC	=	Travel Management Center
USAREUR	=	U.S. Army, Europe

## APPENDIX A

### PROFILE OF THE TRAVEL AGENCY INDUSTRY

This appendix provides an overview of the travel agency industry, discusses regulation and recognition requirements, describes categories of agency employees, and outlines basic travel agency operations.

#### INDUSTRY OVERVIEW<sup>1</sup>

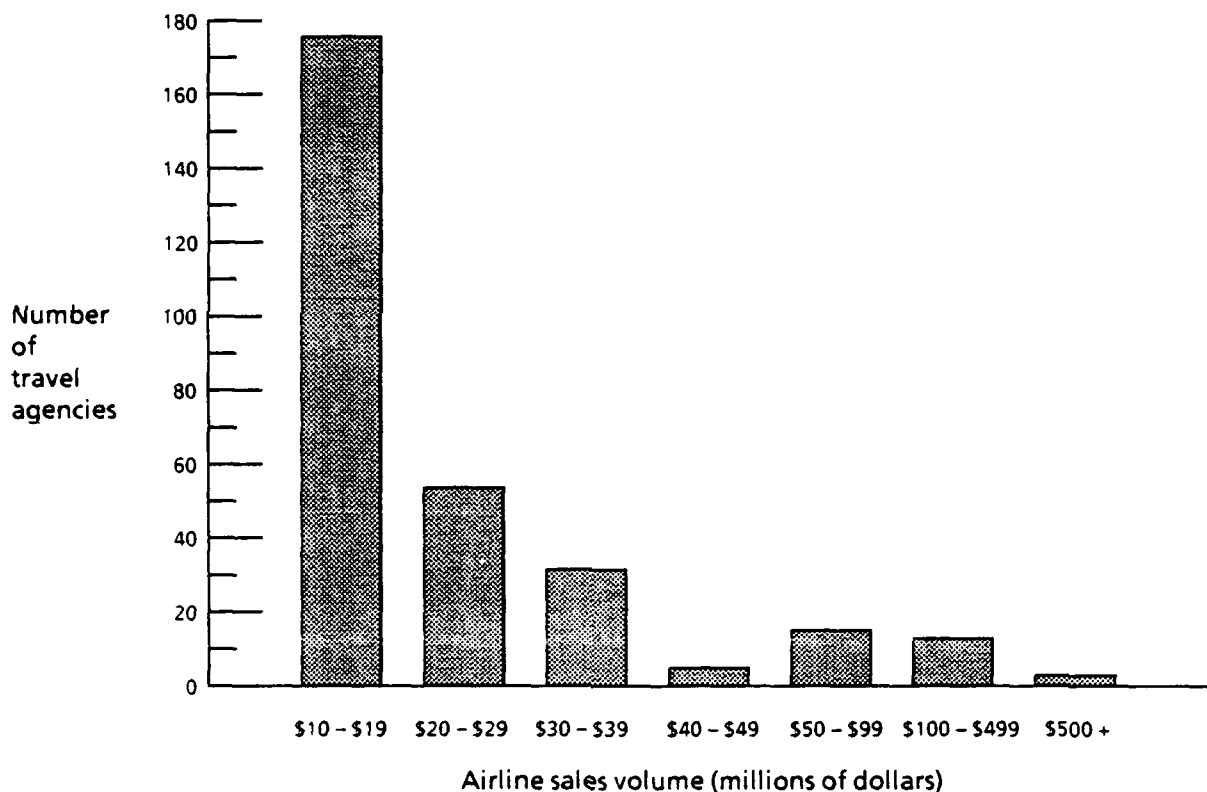
The approximately 22,000 travel agencies in the United States had an estimated 1987 total sales volume of about \$60 billion. Most are small, independently owned, single-office concerns grossing about \$2 million a year or less, while others range upwards to over \$1 billion in annual sales. Figure A-1 displays the distribution of large travel agencies according to total domestic and international airline ticket sales in 1987. It depicts the top 298 travel agencies (about 1.5 percent of the total number), whose airline ticket sales amount to nearly \$12 billion annually, or 20 percent of total sales by travel agencies.

The travel agency industry is dominated, in terms of sales volume, by three large agencies. The third ranked agency had a 1987 sales volume more than twice the volume of the fourth ranked agency.

Most of the larger travel agencies have multiple branch offices located throughout the United States, although some of the agencies listed in Figure A-1 are single office. In some cases the very large agencies have established affiliate relations with small, independent agencies. That relationship consists of an agreement that the small independent will perform as a subcontractor or as an agent of the larger agency under specified conditions. Such a relationship permits the large agency to incorporate the capabilities of the smaller agency for marketing purposes and allows the smaller agency to use the large agency's name.

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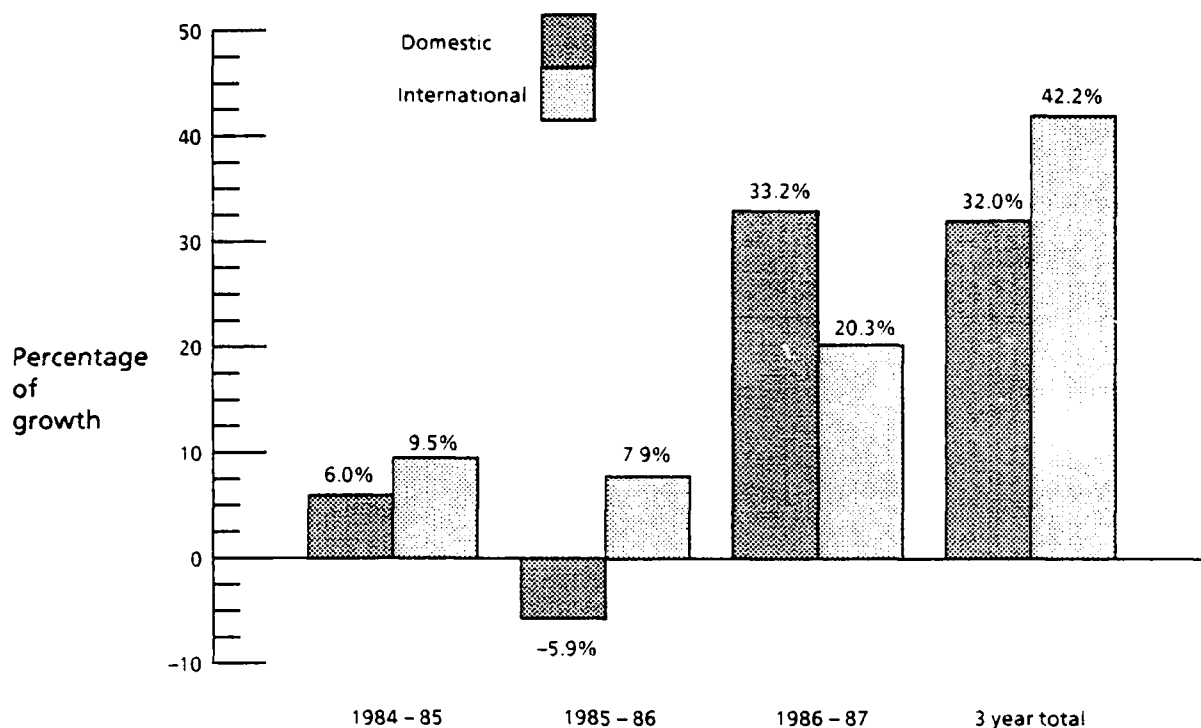
<sup>1</sup>Industry data are compiled through voluntary submission by the nation's travel agencies to such organizations as Airline Reporting Corporation (ARC), Society of Travel Agents in Government, and American Society of Travel Agents. Except for airline reports from ARC, data on the industry are estimates.



**FIG. A-1. DISTRIBUTION OF TRAVEL AGENCIES - 1987**  
(Top 298 agencies)

The travel agency industry is growing substantially and dominates the overall travel industry in percent of travel products sold. Airline ticket sales by most travel agencies exceed 50 percent of their total volume. The remainder is derived from other transportation sales, hotel reservations, car rentals, and tour packages. The only firm data available on total sales pertains to domestic and international airline ticketing. Figure A-2 displays the growth in airline ticket sales by travel agencies since 1984. The decrease in international sales in 1985 most likely reflects travelers' concerns with European and Middle Eastern hijacking incidents. Figure A-3 displays the percentage of each major travel industry product sold by travel agencies in 1987.

Travel agencies provide a wide spectrum of services. Their primary service is booking reservations for common carriers (air, bus, rail, and sea transportation) for business and leisure travelers. More than half of the airline travel sales are for



**FIG. A-2. GROWTH IN AIRLINE SALES**  
(Top 298 agencies)

commercial purposes. Many agencies specialize in leisure travel, focusing on booking charter trips and package tours. Others specialize in providing services that include convention and seminar arrangements.

## REGULATION AND RECOGNITION

The travel agency industry is essentially unregulated with respect to financial responsibility and employee experience. No Federal licenses are required; only a few states impose any licensing requirements. The industry's primary controlling element is the ARC.

The ARC, which is owned by the passenger carriers of the Air Transport Association, provides the method and procedures for recognizing and approving travel agency locations for the sale of air carrier tickets, and for processing the records and funds of such sales. It is also the source of standard ticket stock for all travel

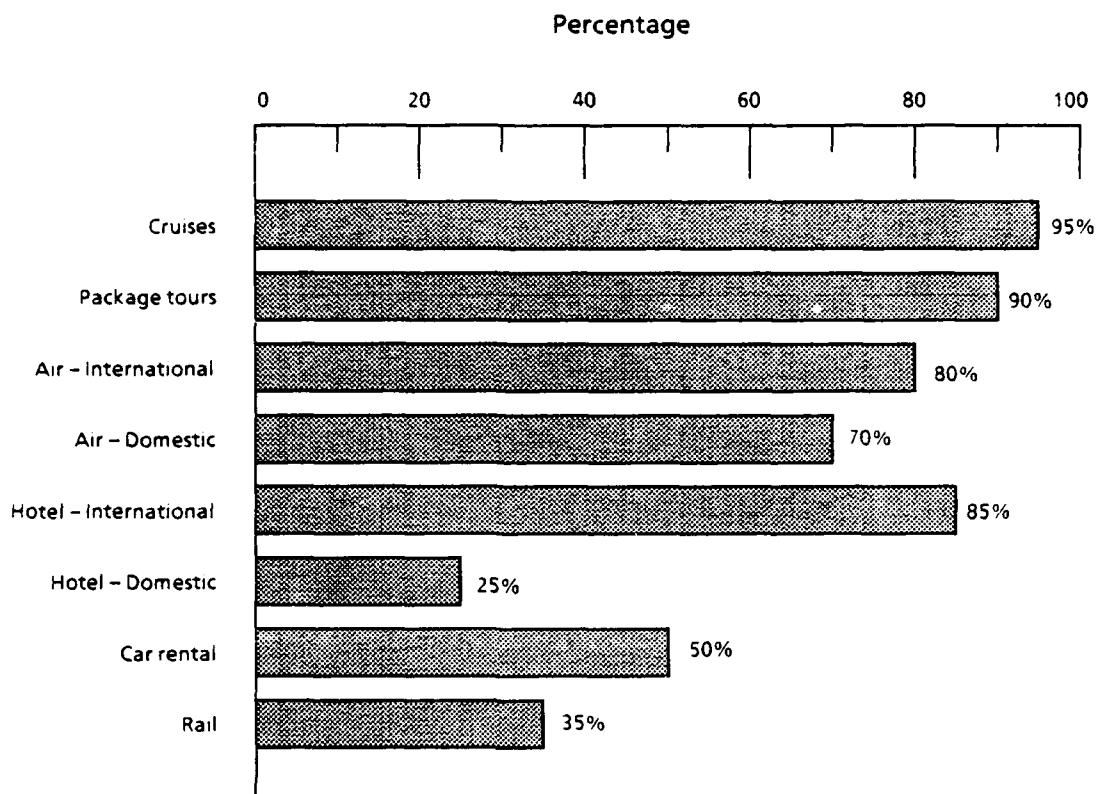


FIG. A-3. PERCENTAGE OF TRAVEL PRODUCT SOLD BY TRAVEL AGENCIES

agencies and it contracts with various facilities, known as Settlement Banks, for the performance of regional clearinghouse functions.

ARC recognition of a travel agency requires a minimum capitalization of \$10,000 and the following staffing:

- One full-time supervisor/manager, with a demonstrated knowledge of ARC rules and at least 2 years experience in travel service sales or supervision
- One employee (who may be the supervisor/manager) who has performed airline ticketing functions for at least one of the past 3 years.

In addition to ARC recognition, travel agencies must also be recognized by the International Air Transport Association to book international air travel.

## PERSONNEL

Travel agents are, for the most part, salaried employees. The salary range is wide, with the low end of the scale at \$10,000 to \$12,000 per year. Larger commercial agencies provide varying types of employee benefit programs and have an average annual sales volume per full-time agent of more than \$500,000. Small travel agencies have average annual sales of less than \$500,000 per full-time agent. Employee turnover is high (about 40 percent annually) at the low end of the salary scale.

Travel agents tend to be grouped into two broad categories: booking and advising. Booking entails little more than the clerical functions of making reservations and printing tickets when the traveler's schedule and selection criteria (such as policy, timing, or customer preference for airlines) are well-defined. Booking agents are typically at the low end of the salary scale and are most frequently assigned to assist the commercial or business traveler. Advising entails helping the client make subjective decisions on all aspects of travel. Experience and expertise are the travel advisor's commodity. They assist primarily the leisure traveler, although they may provide service to the commercial traveler in nonroutine situations such as overseas travel or arranging conferences or seminars. Travel advisors are paid significantly more than booking agents. They also handle fewer customers because they require more time per transaction.

This functional distinction between booking and advising is not clear-cut, however, because the industry has no job standards. An agent's category usually depends upon experience and training. Business travel agents (bookers) require about 1 year on-the-job training to perform without close supervision and 3 years to perform with minimal supervision. Leisure travel agents (advisors) require 5 years experience to have confidence and expertise in all aspects of leisure travel.

## OPERATIONS

At the heart of any travel agency's operations is the computer reservation system (CRS), which enables a travel agent to book reservations on scheduled air carrier flights and to print the ticket on-site. The system includes a video terminal, ticketing devices, and other supporting equipment. There is no standard CRS; major air carriers sponsor various hardware and software systems, which they provide to the travel agencies. Each CRS is supported by a large database of air carrier

schedules, but the database for each system is controlled by the sponsoring air carrier. All CRSs provide access to other reservation systems, but some are more capable than others. The CRSs are essential in providing up-to-date air carrier schedules since each day from 25,000 to 200,000 changes in schedules and fares are entered.

In addition to reservation and ticketing functions, CRSs provide some management information reporting and reconciliation services for reporting to ARC. When such capability is installed, all reservation and ticketing information is stored along with information on the concurrent availability of other air carrier flights.

## APPENDIX B

### TRAVEL AGENCY OPERATIONS

This appendix describes the actions and interactions of the travel agency, the air carriers, the Settlement Bank [as an agent of the Airline Reporting Corporation (ARC)], credit or charge card companies, and the traveler. A travel agency derives most of its income from commissions paid by the air carriers for ticket sales. The customary commission is 10 percent and is established through a contract between the travel agency and air carrier.

When a traveler makes an airline reservation through a travel agency, the agency issues to the traveler a valid ticket from standard air carrier ticket stock provided by ARC at a fixed fee. This ticket consists of the following parts:

- Front Cover
- Auditor's Coupon
- Agent's Coupon
- Flight Coupon
- Passenger Coupon.

The ticket (and all carbons) indicates the method of payment, whether cash (or check) or charge card (including the card number). In every case, the travel agency retains the Agent's Coupon. The Auditor's Coupon copy is sent to the Settlement Bank, which functions as a regional clearinghouse for financial transactions. The Front Cover and remaining coupons are issued to the traveler. The travel agency is responsible for accounting for all ticket stock by number.

The travel agency, using whatever means are at its disposal, generates a report of all cash and credit sales. That report lists all ticket sales and includes the gross and net prices, invoice number, and ticket number. The invoice number is the primary means of tracking these sales. The report is sent to the Settlement Bank on the Monday following the week just closed. The Auditor Coupon copies are collected



and segregated by cash and charge card sales and are forwarded to the Settlement Bank, along with the primary report.

Each week the travel agency also prepares and forwards a Sales Report Settlement Authorization (SRSA) to the Settlement Bank. The SRSA covers all sales for the week and authorizes the Settlement Bank to issue a check drawn on the travel agency's commercial bank for the amount of all cash sales, less the amount of the travel agency's commission (with about a 10-day float). The SRSA obviates the need for the Settlement Bank to bill the travel agency. For charge card sales, the Settlement Bank sends the travel agency a check covering all commissions.

The flow of money between the traveler and air carrier, then, is different depending on whether the tickets are purchased with cash or check or with a charge card. With cash or check sales, the traveler pays the travel agency the amount of the airfare. The travel agency prepares the SRSA, which authorizes the Settlement Bank to write a check on the travel agency's commercial bank for the net amount of the airfare (gross less commission). The Settlement Bank completes the transaction by paying the air carrier the net amount of the airfare.

With charge card sales, the traveler tenders a charge card slip to the travel agency as payment for the amount of the airfare. The travel agency forwards that slip to the charge card company and lists the sale on the weekly report to the Settlement Bank. The Settlement Bank then sends a commission check to the travel agency. The charge card company pays the air carrier the gross amount shown on the slip, deducting a certain percentage as its fee. The air carrier then reimburses the Settlement Bank for the commission check sent to the travel agency. The charge card company then bills the traveler for the gross amount.

To adjust for occasional errors, the airlines may send to the travel agency a debit adjustment listing the description of the error and the amount due.

About 2 weeks after receiving the SRSA from the travel agency, the Settlement Bank returns to the travel agency an ARC Agent Sales Summary. That document is the Settlement Bank's listing of the agency's sales and contains the invoice number, the air carrier code (indicating the air carrier to be credited with the transaction), and sales and commission data for each transaction. The travel agency may then

compare the Agent Sales Summary to its report, the SRSA. If discrepancies occur, the travel agency must take the initiative to resolve them.

In addition to cash flow among the traveler, travel agency, Settlement Bank, air carrier, and charge card companies, the air carriers themselves have arrangements to compensate each other for the use of their proprietary computer reservation systems (CRSs). If an air carrier (or travel agency using that air carrier's dedicated CRS) books a flight on another air carrier using the latter's dedicated CRS, the booking air carrier pays the latter \$1.80. Since this booking method is used extensively, the total charges are substantial.

While much of a travel agency's income is derived from the relatively standard 10 percent commission from air carriers, the travel agency also has other sources of income, such as commissions from hotels, motels, and car rental agencies. For international flights, the commission percentage may be greater or lower than 10 percent.

Overrides are an additional source of revenue to the travel agency. They usually constitute a market share-based program over and above the standard commission. In such a program, an air carrier offers a travel agency a financial incentive to maintain or exceed a specified level of sales.

In addition, air carriers provide a spectrum of additional incentives such as free trips and free air club memberships.

## **APPENDIX C**

### **FEDERAL TRAVEL DISCOUNTS**

This appendix describes the various categories of discounts negotiated for, and available to, Federal Agencies. Discount programs are coordinated by the General Services Administration (GSA) representing civilian agencies and the Military Traffic Management Command (MTMC) representing DoD. Administration of these discount programs is split between GSA and MTMC, but benefits are applicable to all Government travelers. The major discount programs are summarized below.

#### **COMMERCIAL AIR TRANSPORT**

Air fares provide the Government with the largest travel savings. Each year, GSA negotiates (with MTMC assistance) Government city-pair rates for frequently traveled routes. Currently over 1,500 city-pair rates are in place. Successful bidding air carriers are awarded exclusive contracts for particular city-pairs. These unrestricted fares are, on the average, about 50 percent below full-coach fares. While savings exceeding the contract city-pair rates are available in the marketplace, they generally are burdened with a variety of restrictions. The Government traveler is free to use a lower fare if it is available to the general public. If the lower fare is offered by the city-pair contract carrier, that carrier must be used (provided mission requirements are met and seats are available).

#### **RENTAL CARS**

MTMC negotiates rental car agreements on behalf of the Federal Government. Those agreements are not contracts and they do not give the vendor exclusive rights to Government travelers' business. Savings are significant (30 percent to 50 percent). Special terms of the agreements, such as prohibition of hidden fees (collision damage waiver and mileage charges), provide additional savings. Most CONUS locations offer a choice of five or more rental car agencies with Government rate agreements. Army policy requires the use of the most cost-effective rental car agency.

## **ACCOMMODATIONS**

GSA coordinates accommodation discounts for the Government. Each hotel or motel offering the Government discount rates does so as a promotional measure to solicit the Government's business. The rates are not guaranteed to be available. Each property sets its own policy, such as capacity limitations and date exclusions, as to when it will offer the Government rate. Savings can be significant (Government discounts are usually greater than corporate discounts) but may be difficult to obtain during peak travel periods or for last-minute reservations. Choice of accommodation rests entirely with the traveler, subject to per diem restrictions.

## **RAIL AND BUS DISCOUNTS**

In addition to the discount rates negotiated for given city-pairs with the air carriers, AMTRAK and Greyhound Bus Lines voluntarily offer discounts to Federal travelers on official business. The use of these carriers, while not mandatory, is encouraged when time permits.

## ***GSA FEDERAL TRAVEL DIRECTORY***

Federal travel discounts and corresponding rate schedules are listed, along with time schedules, in the monthly *GSA Federal Travel Directory*.

## APPENDIX D

### CORPORATE USE OF TRAVEL AGENCIES

This appendix describes how three major U.S. corporations use travel agencies. One company utilizes an off-site travel agency, which was selected following a formal procurement procedure. The other two contract with travel agencies for the use of their names, but provide travel services through "on-premises" offices. Their procedures and policies are basically alike; differences are generally in terminology. One of the companies uses travel agents employed and provided by the travel agency; the other uses its own employees to provide the services. All three companies capture some of the agencies' commissions. Quality of service is the primary criterion by which all three companies judge travel agency performance.

#### COMPANY A

##### Selection

Company A contracts with a local travel agency to provide off-site travel services. Before selecting the agency, the company compiled a list of prospective bidders determined to be financially qualified and have good reputations. Those agencies were then sent a request for proposals to provide travel services on a commission-sharing basis for a 1-year contract period plus a 1-year option, available to either party.

##### Commission-Sharing

The commission-sharing is not based upon a flat percentage but rather is structured as an incentive to obtain the lowest airline fares — the higher the savings on airfares, the lower the percentage of the agency's commission to be shared with the company. The standard airline coach fare is the basis for determining cost savings. Each bidder was required to specify the threshold percentage of savings on airfares and the percentage of commission to be shared.

## **Agency Services**

The agency provides all travel services off-site, using its own facilities. The company requests the agency's services by telephone. The travel agency must provide rapid airline ticket delivery: tickets for reservations made prior to noon must be delivered that afternoon; those made later than noon must be delivered the next morning. Tickets for reservations made substantially ahead of time must be delivered at least 2 days prior to the scheduled flight. The travel agency must also provide an 800 telephone number for 24-hour emergency service.

All employees of the company are provided a major charge card to pay the travel agency for its services. After incurring such expenses, the employee submits a claim to the company and is normally reimbursed before receiving the charge card bill. This charge card may not be used for leisure travel.

## **Quality Control**

The company stresses quality service. All complaints are handled on an individual basis; repeated complaints are considered grounds for contract termination. The travel agency must also furnish reports to the company for its review of employee use of travel services. The company can and does monitor travel agency operations. Company employees are requested to complete questionnaire cards to provide an additional evaluation of the travel agency service.

The travel agency must provide each business traveler with the lowest airfare within a 2-hour "window" of the desired departure time. Meeting that requirement is the primary criterion for judging both quality of service and pricing. Economy class is mandatory for all employees. However, business class may be used for flights encompassing more than three time zones.

## **Leisure Travel**

Company employees may also use the travel agency to arrange for leisure travel. An employee who calls the travel agency is asked if the travel is for business or pleasure. Dedicated travel agents within the agency customarily process business travel requests; leisure travel requests are customarily referred to other agents.

## **Comments**

An executive of the company emphasized that any arrangement such as theirs should recognize that the travel agency must have enough room to make a decent profit. He believes that too stringent restrictions placed upon the agency adversely affect the agency's incentive to save the client money. The company recognizes the existence of overrides offered by airlines, but discovery of their use is grounds for contract termination.<sup>1</sup>

## **COMPANY B**

### **Selection**

Company B recently switched from a large off-site travel agency to an on-premises arrangement in which it pays a fee to a local travel agency for the use of its name. It uses primarily company employees to make the travel arrangements.

### **Commission-Sharing**

Since the company pays all expenses, it retains all commissions, using a flow-through agreement with the nominal travel agency. It considers the on-premises agency as both a profit center (commissions) and a cost avoidance vehicle (lower airfares). It estimates that an outside agency would have yielded only about two-thirds of actual savings for the previous year. Company priorities for the on-premises agency are, in order of importance, service, savings, and profit.

### **Agency Services**

Commercial travel is segmented primarily into business travel and meetings/seminars. Business travel is supported by functional groups within the company. Domestic travel agents book air travel and rental cars but only take accommodation preferences. Specialists make the actual accommodation reservations, mostly by telephone. The domestic agents are expected to handle over \$1 million of air bookings each year. International travel (used infrequently) is processed by separate agents.

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<sup>1</sup> Additional financial incentives for a travel agency to increase an airline's share of agency sales. Overrides are customarily private arrangements, not open to public scrutiny.

## **Quality Control**

The company's monitoring system is located off-site, but two terminals are located on company premises. This system provides the company with many management reports, considered to be one of the most important elements of its travel program.

The management reporting system generates one or two new reports (format change or one-time report) daily. A key element in these reports is feedback to the traveler and his or her supervisor if the traveler does not choose the recommended fare. The travel agent recommends an airfare based upon the traveler's need and the company's policy. That policy mandates economy class, but business class may be used for flights encompassing more than three time zones. Additionally, nonstop flights are to be used whenever available. Ticket deliveries outside the immediate company site are made by overnight express or by airport pickup.

## **Leisure Travel**

Company employees may use the on-premises agency for leisure travel, but the company's primary emphasis is on business travel.

## **Comments**

The company plans to expand its travel agency operations with new branches, all of which will be linked to a central "back room" for control purposes.

## **COMPANY C**

### **Selection**

Company C formerly used an in-house travel department staffed with company employees. The company now uses an on-premises arrangement through which it pays a stipend to a local travel agency for the use of its name. The current contract stipulates a 60-day notice period for cancellation, available to either party.

### **Commission-Sharing**

The company hires and trains all travel "arrangers" who are then assigned to the nominal travel agency. The commissions are returned to the company in a flow-through arrangement with the travel agency.



## **Agency Services**

The on-premises office provides all conventional travel services. The company strives to foster an "us" attitude among the travelers and the travel arrangers. The company hires and trains many new employees each year. Since their training program involves substantial air travel, the company is able to negotiate with the airlines for reduced rates for that travel. Recent experience shows about a 47 percent discount rate.

Company travelers may select whatever charge cards they desire for paying the travel agency.

## **Quality Control**

The company monitors operations using a computer reservation system. Through such monitoring it has learned that 46 percent of all its business travel airfares are discounted.

The company's air travel policy focuses on use of economy class fares. However, top corporate officers are permitted to fly first class on overseas flights and on domestic flights of more than 3 hours; they are authorized business class for domestic flights of less than 3 hours. Senior managers are permitted to fly first class on international flights of more than 8 hours to Eastern Europe; otherwise, they fly business class. These managers must use economy class for all domestic flights. All other employees must use economy class; however, they too may use business class for flights exceeding 8 hours.

The company's primary objective is to meet the traveler's needs in a quality manner at the lowest reasonable cost. The on-premises office tries to obtain seat assignments and boarding passes for all reservations unless the flight is under airport control (seat assignment controlled by the airline at the departure airport).

Traveler complaints are carefully scrutinized. The company is especially attentive to any second or third occurrences of specific complaints.

## **Leisure Travel**

Company employees may use the on-premises travel office for leisure travel.

## APPENDIX E

### GOVERNMENT CHARGE SYSTEM

This appendix describes the principal features of the Government charge system, especially as used by the Army. Since 1983, the General Services Administration (GSA) has contracted with Citicorp to provide Diners Club charge services to all Federal Agencies at no cost to the Government. Within the Army, the Diners Club charge services consist of two separate and distinct elements:

- *Government Card System (GCS)* – Individual cards issued to eligible Army military and civilian personnel for charging incidental expenses while on official travel.
- *Government Travel System (GTS)* – A nonplastic charge account system, consisting of a numbered account, which allows an agency to charge official travel airfares, bus fares, and rail fares.

The basic GSA contract permits all individuals on official travel to use the Diners Club card to charge any legitimate expense. However, the Army restricts the individual's use of the card to incidental expenses such as meals, lodging, and rental cars.<sup>1</sup> The card may be used to charge commercial transportation (air, bus, and rail), but only when mission requirements make it impossible for the card holder to obtain transportation through a Government transportation office.

The GCS (individual) card is imprinted with the parent agency's summary account number and an individual account number. The card is valid only as long as the individual is assigned to that agency. Individuals using the Diners Club card are billed for all incurred charges. They have the sole responsibility for paying those charges; the parent agency incurs no liability.

The GTS is an account number assigned to a specific Army agency, and no card is issued for such an account. The agency must first establish, with its commercial travel office, an authorization process for charging official transportation to the

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<sup>1</sup>Army Circular 37-87-1, *Army Charge Card Program*, 15 Aug 1987.

account. Diners Club provides the agency a monthly statement identifying each charge in the order received; transportation charges indicate the following:

- Passenger name
- Carrier name
- Ticket number
- Dollar amount
- Ticket validation date.

Diners Club does not charge the individual traveler or the Army a fee for using either the GCS or GTS. Instead, it deducts a variable percentage discount from the payment forwarded to commercial establishments providing an item or service to Army travelers. That discount constitutes Diners Club's income. The GCS/GTS users subsequently pay Diners Club the full amount of the charge.

The Diners Club charge card system provides the Army and Army personnel on official travel with numerous benefits:

- Installation Transportation Officers authorize a single monthly payment to Diners Club for all transportation fares incurred during that month.
- Individual travelers are entitled to free travel accident insurance and lost or stolen baggage insurance.
- No membership fees are charged for the GCS, nor is there any liability for lost or stolen cards.
- The GCS includes check cashing privileges at participating hotels and motels and emergency cash advances at Diners Club franchise offices when traveling overseas.
- The GCS substantially reduces cash advances to travelers.
- The GTS receives immediate credit for unused tickets.
- The Diners Club card is accepted worldwide by every major transportation carrier and by over 800,000 retail establishments.
- In addition to the transportation charge statements, Diners Club provides detailed management information reporting (monthly, quarterly, and semiannually) to GTS participants for tracking expenses and credits; it also provides several special reports to GSA and the Military Traffic Management Command, useful in negotiating contracts with vendors.

## APPENDIX F

### OTHER GOVERNMENT CONTRACTING FOR TRAVEL SERVICES

This appendix provides an overview of the individual arrangements of several other Federal Departments and Agencies that have arranged to competitively acquire travel services from commercial travel agencies. They include the U.S. Air Force, the U.S. Navy, the General Services Administration (GSA), the National Aeronautics and Space Administration (NASA), and the U.S. Army Service Center for the Armed Forces, Pentagon. It also provides estimates, where available, of concession fee volumes for official and unofficial travel.

#### U.S. AIR FORCE

The Air Force has conducted separate acquisitions of travel services for the following bases:<sup>1</sup>

- Wright-Patterson Air Force Base (AFB), OH
- Seymour-Johnson AFB, NC
- Scott AFB, IL
- Langley AFB, VA
- Offutt AFB, NE.

The five acquisitions were designed to accommodate an evaluation of a variety of procedures and contractor performance prior to initiating a large-scale contract. The results of those acquisitions to date are summarized below.

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<sup>1</sup>Hanscom AFB, MA, also recently awarded a competitively acquired contract for travel services. However, the Air Force does not consider it an acquisition "test" base like the other five. Rather, it serves as the first AFB to employ the Government charge system, testing that system for 3 to 6 months prior to Air Force-wide implementation.

## **Wright-Patterson AFB**

Services are being performed at Wright-Patterson AFB and five satellite locations:

- Newark Air Force Station, Newark, OH
- Greater Pittsburgh International Airport, Pittsburgh, PA
- Springfield Beckley Airport, Springfield, OH
- Wurtsmith AFB, MI
- Youngstown Municipal Airport, Youngstown, OH.

The contract is for 1 year, commencing 30 November 1987, with a 1-year renewal option, and was awarded to Lifeco Services Corporation, Houston, TX.

For the base period and the option year the contractor offered the following terms:

- A 2.11 percent concession fee on official domestic and international travel revenues, excluding bus, train, hotel/motel, and car rental
- A 3.11 percent concession fee on unofficial domestic travel revenues, excluding bus, train, hotel/motel, and car rental
- A guaranteed average 50.5 percent discount on official travel fares below the standard coach class fare.

The acquisition also provided for guaranteed discount fare adjustments in the form of incentive payments or penalties. The contractor will receive the incentive payments monthly for obtaining better fares than those at the guaranteed discount rate, and will be penalized for not obtaining fares within 3 percent of the guaranteed discount rate.

The Air Force estimated annual expenditures of \$33,464,000 for official travel and \$2,307,000 for unofficial travel. The estimated amounts of the annual concession fees, respectively, are \$706,100 and \$71,800. No estimates are available on the effect of the guaranteed discount rates or the adjustments thereto.

### **Seymour-Johnson AFB**

Seymour-Johnson AFB has a travel services contract for 1 year, commencing 1 June 1987, with a 1-year renewal option. The contract was a 100 percent set-aside for small business and was awarded to Great American Travel, Fayetteville, NC.

For both the base period and the option year the contractor offered the following terms:

- A 2.125 percent concession fee on official travel sales
- A 3.1 percent concession fee on unofficial travel sales.

The Air Force estimated annual expenditures of \$800,000 for official travel and \$200,000 for unofficial travel. Seymour-Johnson AFB currently averages monthly rebates of about \$1,600 on official travel and between \$1,500 and \$1,700 on unofficial travel.

### **Scott AFB**

At Scott AFB services are being provided at three on-base and four satellite locations:

- Whiteman AFB, MO
- Blytheville AFB, AR
- Federal Penitentiary, Marion, IL
- Veterans Administration Hospital, Marion IL.

The Air Force awarded two contracts, both for 1 year, commencing 1 January 1988, with a 1-year renewal option. The successful bidders were Lifeco Services Corporation and Sir Travel, Orange, CA. Customers may choose the services of either contractor, resulting in continuous competition between the two contractors throughout the contract period.

Table F-1 shows Scott AFB's concession fee percentages for travel, car rental, and accommodations. The rebates for the option year have the following exceptions:

- Lifeco increased its unofficial travel concession fee from 5.0 percent to 5.1 percent
- Sir Travel increased all concession fees to 4.35 percent.

TABLE F-1

## CONCESSION FEE PERCENTAGES: SCOTT AFB

Travel category	Travel	Car rental	Accommodations
Official:			
Lifeco	4.55	5.00	3.00
Sir Travel	4.34	4.34	4.34
Unofficial:			
Lifeco	5.00	5.00	3.00
Sir Travel	4.35	4.34	4.34

The Air Force estimates annual expenditures of \$7,753,000 for official travel; estimates of unofficial travel are not available. The estimated annual official travel concession fee (using the average concession fee for the two contractors) is \$345,000.

**Langley AFB**

Travel services are being performed at three on-base locations at Langley AFB. The contract is for 1 year, commencing 1 October 1987, with a 1-year renewal option, and was awarded to C I Travel, Norfolk, VA.

For the base year, the contractor offered a 4.60 percent concession fee on official travel and a 4.65 percent concession fee on unofficial travel; for the option year the contractor increased the concession fees to 4.80 percent and 4.85 percent, respectively.

The Air Force estimates annual expenditures of \$8,133,000 for official travel and \$52,000 for unofficial travel. The estimated amounts of the base year concession fee, respectively, are \$374,000 and \$2,400. After more than 2 months of contractor operation, official travel concession fees exceeded \$55,000; monthly unofficial travel concession fees have been in the range of \$2,000 to \$3,000.

**Offutt AFB**

Travel services are being performed at three on-base locations at Offutt AFB. The contract is for 1 year, commencing 1 March 1988, with a 1-year renewal option, and was awarded to Lifeco Services Corporation.

For the base period and the option year, the contractor offered a 2.10 percent concession fee for the first \$5 million of annual official travel sales and 3.11 percent thereafter; the contractor offered a flat 3.11 percent concession fee on unofficial travel sales.

The Air Force estimates annual expenditures of \$11,906,000 for official travel and \$1,500,000 for unofficial travel. The estimated amounts of the annual concession fees, respectively, are \$320,000 and \$47,000.

#### **U.S. NAVY**

The U.S. Navy is currently acquiring official travel services for the 50 states only. All unofficial travel services must be competitively acquired locally by base commanders. Official travel services are being centrally acquired on a regional basis (Eastern, Central, and Western) by the Navy Military Personnel Command. The Navy anticipates contract award in the near future for the Central region.

The Navy's plan encompasses separate official and unofficial travel services offices. Concession fees offered for unofficial travel must be 3 percent or higher; concession fees are not being sought for official travel. The estimated annual official travel volume is \$217 million.

#### **GENERAL SERVICES ADMINISTRATION**

The GSA uses both Scheduled Airlines Traffic Offices (SATO) and competitively acquired travel services known as Travel Management Centers (TMCs) throughout the country. One TMC acquisition, in Chicago, IL, was awarded to Ask Mr. Foster, Washington, DC, in 1987 as a 1-year contract with four 1-year options. In its proposal, Ask Mr. Foster offered a minimum 2.75 percent concession fee on air travel sales, with offers of higher percentages (in increments up to 4 percent) for unspecified sales volume levels. GSA estimates the annual air travel volume for this contract as \$7,900,000.

The *GSA Federal Travel Directory*, published monthly by GSA, contains a complete listing of TMCs and SATO branches operating under GSA auspices.



## NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Travel services are being provided at NASA Headquarters, Washington, DC, and at the following locations:

- Ames Research Center, Moffett Field, CA
- Dryden Flight Research Facility, Edwards, CA
- Goddard Space Flight Center, Greenbelt, MD
- Johnson Space Center, Houston, TX
- White Sands Test Facility, Las Cruces, NM
- Langley Research Center, Hampton, VA
- Lewis Research Center, Cleveland, OH
- Marshall Space Flight Center, Huntsville, AL
- John C. Stennis Space Center, MS
- Wallops Flight Facility, Wallops Island, VA.

This 5-year contract for official and unofficial travel services is to be completed in August 1992. The contract was awarded to Ask Mr. Foster, which offered a variable concession fee dependent upon the Government's assessment of the contractor's performance (evaluated each 6-month period). Table F-2 shows concession fee percentages offered by NASA. The concession fee is calculated on the basis of total commissionable sales and reservations. NASA estimated an annual volume of \$17,500,000 of such sales, which would yield an estimated minimum annual concession fee of \$175,000.

**TABLE F-2**  
**PERFORMANCE EVALUATION**  
**AND CONCESSION FEE PERCENTAGES: NASA**

Evaluation	Rebate percentage
Excellent	1
Good	2
Satisfactory	3
Poor	4
Unsatisfactory	6

#### **U.S. ARMY SERVICE CENTER**

In August 1985, Gelco Travel Services,<sup>2</sup> Rockville, MD, signed a Memorandum of Agreement with the U.S. Army Service Center for the Armed Forces to provide official and unofficial travel services at the following sites in the Washington, DC, area:

- Pentagon (two sites)
- Nassif Building
- Pulaski Building
- Hoffman Building
- Army Materiel Command Building.

The agreement was for 1 year, renewable for up to 4 consecutive years; the area of operations may be increased by mutual agreement.

The contractor agreed to reimburse the DoD Concession Committee 5 percent of the total net air and rail travel volume for unofficial travel. There is no agreement to reimburse the Government for official travel sales volume. Official travel for

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<sup>2</sup>Acquisition by Ask Mr. Foster is under negotiation.

FY87 was estimated as \$21.5 million and unofficial travel as \$3 million, yielding an estimated concession fee of \$150,000.

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<p>In 1985, Congress mandated that the Military Departments competitively acquire travel services support of the type normally provided by travel agencies. Since 1949, the Department of Defense obtained those services from a U.S. flag airline industry consortium under a noncontractual agreement. In response to the congressional mandate, and in recognition of its inexperience in travel services acquisition, the Army chose to award one regional contract, evaluate the results of using a commercial travel agency within that region, and then chart its future course of action. This report presents our recommendations for that course of action.</p> <p>We conclude that the Army's travel services needs and overall travel program are not very different from those of large, private-sector organizations. In both environments, the keys to a responsive and economical travel program are clear policy, centralized direction, implementation, and oversight.</p> <p>Our report recommends the Army establish a clear program objective, appoint a program manager to provide knowledgeable and dedicated leadership, and adopt a variety of operating and management enhancements to streamline and standardize the Army travel services acquisition process.</p>					
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